



Legislative Fiscal Bureau

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June, 2019

Joint Committee on Finance

Paper #140

Laboratory Equipment and Service Charges (Agriculture, Trade and Consumer Protection)

[LFB 2019-21 Budget Summary: Page 45, #17]

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection's (DATCP) Bureau of Laboratory Services (BLS) analyzes samples gathered during inspections and regulatory actions under the food safety, industrial hemp, and agrichemical management programs. The Bureau charges the respective agency programs for these services, with the charges reflected as expenditures to the respective programs, and program revenues (PR) to the laboratory.

GOVERNOR

Provide \$250,000 PR in 2019-20 and \$300,000 PR in 2020-21 for increased supplies and services costs within the Bureau of Laboratory Services.

DISCUSSION POINTS

1. BLS is funded from a program revenue-service (PR-S) appropriation, meaning its budget consists of expenditures it passes on to other programs within the Department. BLS charges as necessary to cover the cost of services provided to each program, and programs subsequently pay these amounts from their own operating budgets. PR-S appropriations allow agencies to centralize certain operating functions and maintain separate budgets for those functions. Another example of a PR-S appropriation at DATCP is information technology equipment, staff and services. BLS's appropriation allows DATCP to more comprehensively plan and track lab expenditures. Because expenditures eventually are paid by the respective program area, BLS appropriated amounts reflect pass-through spending and do not reflect actual expenditures.

2. DATCP has seen increased costs associated with lab services in recent years, as seen in the table. DATCP staff attribute increased costs to a larger volume of testing, increased supplies and services costs, and costs of replacement of old equipment. Increases in budget authority shown in the table reflect standard budget adjustments and general lab increases of \$300,000 in 2017-18 and \$350,000 in 2018-19. Under the bill, these amounts would increase further due to standard budget adjustments, a reallocation of 1.90 staff from other appropriations, and increases of \$250,000 in 2019-20 and \$300,000 in 2020-21.

DATCP Bureau of Laboratory Services Operations

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>
Budget	\$2,835,900	\$2,851,100	\$3,183,900	\$3,291,600	\$3,885,900	\$3,955,400
Expenditures	<u>2,868,400</u>	<u>2,737,200</u>	<u>2,808,800</u>	<u>2,724,900*</u>	--	--
Difference	-\$32,500	\$113,900	\$375,100	\$566,700*		

*As of June 5

3. As seen in the table, DATCP has not utilized the additional authority it received under 2017 Wisconsin Act 59. As the appropriation is biennial, DATCP may expend amounts in either year of the biennium. Thus, in the 2017-19 biennium, through June 5, DATCP has remaining authority of \$941,800. DATCP reports it was able to conserve expenditure authority by having one of its divisions purchase equipment, in lieu of BLS purchasing it and billing the division. Also, DATCP has not utilized the PR-S structure for costs associated with its newly created hemp program, instead billing laboratory testing costs directly to the hemp program appropriation. In both instances, DATCP conserved expenditure authority in the appropriation by billing costs directly to the relevant program, so that it would have sufficient flexibility in BLS expenditure authority if needed.

4. While DATCP has discretion to allocate expenses as it sees fit, either through its pass-through of BLS expenditures, or direct billing to programs, a maximum expenditure limit on its laboratory services appropriation reduces its flexibility to use the appropriation for its intended purpose of centralizing laboratory services and expenditures. During the 2017-19 biennium, DATCP elected to directly bill certain expenditures to ensure that sufficient authority was available if needed for other purposes. In either case, expenditures were eventually borne by the program area and within that program's appropriation limit regardless of any expenditure limit on the lab services appropriation. Interim recording of expenditures reflected the agency's preferred accounting practice.

5. As a PR-S appropriation, expenditures recorded in the appropriation reflect transfers within the same agency, and expenditures are actually borne by the respective program's appropriation. Given that DATCP is able to record expenditures related to lab services regardless of the amount in the schedule for its lab services appropriation, the Committee could consider modifying the appropriation to a continuing appropriation (Alternative 2). This would allow the Department to account for lab services expenditures in a more consistent and transparent manner, and would allow the appropriation schedule to accurately reflect expenditures associated with laboratory services. Under a continuing appropriation, any necessary increase in the amount in the schedule could be

performed by the Department of Administration (DOA), which may administratively increase budgeted amounts in continuing appropriations. The Committee could also adopt the Governor's proposal (Alternative 1).

6. Given that DATCP is not expected to fully utilize its expenditure authority in the lab services appropriation during the 2017-19 biennium, the Committee could also consider taking no action (Alternative 3). This would maintain the BLS appropriation as biennial, which would retain a notional limit on BLS operations expenditures. However, it is possible DATCP could continue its practice of selectively billing certain items directly to the appropriate program, in order to maintain laboratory services expenditures below this limit.

ALTERNATIVES

1. Adopt the Governor's proposal to provide an additional \$250,000 PR in 2019-20 and \$300,000 in 2020-21 for laboratory services.

ALT 1	Change to	
	Base	Bill
PR	\$550,000	\$0

- 2. Modify DATCP's laboratory services appropriation to a continuing appropriation.
- 3. Take no action.

ALT 3	Change to	
	Base	Bill
PR	\$0	- \$550,000

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