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**(Gov) Agency:** UW System - Aquaculture Center

**Recommendations:**

**Paper No. 172:** Alternative 2

**Comments:** Support the Friday fish fry. Plus, its in Ashland (Jauch).

However, Alternative 2 seems like a reasonable proposal. It just makes the Regents plan this out a little better and come back to the committee when its soup. Paragraph 5 says "there are a number of uncertainties regarding the proposed facility."

**prepared by:** Barry



## Legislative Fiscal Bureau

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May 21, 1999

Joint Committee on Finance

Paper #172

### *Tribal Revenue Gaming Allocations*

### **Aquaculture Center (UW System)**

[LFB 1999-01 Budget Summary: Page 631, #31]

#### **CURRENT LAW**

No provision.

#### **GOVERNOR**

Require the Board of Regents to operate the Ashland full-scale aquaculture demonstration facility that would be authorized in the 1999-01 state building program. A total of \$3,000,000 in program revenue supported borrowing would be authorized for the project. Create two new, annual PR appropriations under the UW System for: (a) the repayment of principal and interest costs incurred in financing the construction of the facility; and (b) the operational costs of the facility. The PR funding for the UW appropriations would be derived from tribal gaming revenues and would be transferred to the new UW appropriations from two appropriations created for this purpose under the Department of Administration.

#### **DISCUSSION POINTS**

1. The proposed aquaculture center is intended to be a demonstration and research facility that would assist people from northern Wisconsin and other areas of the upper Midwest in establishing or expanding fish farms. The Ashland Area Industrial Development Corporation initially requested \$5,000,000 in general fund-supported borrowing for the construction of a 29,220 square foot aquaculture facility. The original plan did not include specific involvement by the UW System, rather, the proposal was for a public-private partnership to rent the facility from the state and operate it. Instead, the Building Commission recommended providing \$3,000,000 in program

revenue-supported borrowing using tribal gaming compact receipts. Since the amount that would be authorized under the building program for the facility represents 60% of the amount requested, the scope of the project would be significantly reduced.

2. According to a consultant's report on the proposed facility as originally envisioned, economic development in northern Wisconsin would be enhanced by the aquaculture center which would "facilitate the growth of the commercial industry, create jobs, and empower Wisconsin industry expansion in new and bigger markets." Staff at the facility would conduct applied research and provide demonstration, education and outreach services.

3. While the bill would create two new PR appropriations within the UW System for principal and interest payments and the operating costs of the center, no funding would be provided in the 1999-01 biennium. According to UW System staff, it is assumed that the facility would not be completed and operational until the beginning of the 2001-03 biennium, at which time, funds for operating costs and debt service could be appropriated in the 2001-03 budget using tribal gaming compact receipts. The original plan estimated first-year operating costs at \$2.7 million, including start-up costs for equipment and supplies, and on-going costs at \$1.5 million, excluding utilities and insurance. The staffing plan included 19.5 full-time equivalent positions. While current cost estimates are not available, given the smaller scale of the facility recommended by the Building Commission, one could expect these costs to be somewhat lower. The initial plan included a variety of funding sources for operating costs including federal, local and county funds, private monies and program revenues from fees for education and training services. It is assumed that these other funding sources could be pursued, and additional appropriations created, as part of the 2001-03 biennial budget process.

4. According to UW System staff, responsibility for the operations of the proposed facility has not yet been assigned to a particular UW institution. It is likely that the operations would be carried out under a cooperative agreement involving two or more campuses. UW-Superior would be involved due to its proximity to the facility, and UW-Milwaukee currently operates the Great Lakes WATER Institute and has an aquaculture program. UW-Stevens Point and UW-Madison may also be involved due to their experience in fisheries and aquaculture.

5. There are a number of uncertainties regarding the proposed facility, including how the center would be scaled back to conform to the reduced bonding authorization. Further, since the plan for the facility did not originate with the UW System or a particular UW campus, there has been very little planning regarding the operation of the center including the specific functions of the center, which UW institution or institutions would be involved, staffing and costs. For these reasons, the Committee may wish to require the Board of Regents to submit for the Committee's approval under s. 13.10 of the statutes, a plan for the construction and operation of the facility including: (a) a description of the physical characteristics of the facility; (b) the functions to be performed by the center; (c) how, and by whom, those functions would be carried out; (d) staffing levels; and (e) estimated operational costs. Approval of the University's plan could be required prior to release of the program revenue bonding for construction of the facility.

6. The consultant's report notes that the commercial aquaculture industry in Wisconsin is relatively small, citing a 1994 survey conducted by the Wisconsin Department of Agriculture, Trade and Consumer Protection that found that the industry employs only about 250 people. Given the uncertainty of the economic impact that the proposed facility would have on commercial fish farms and other industry in Wisconsin, one could argue that further evaluation of the need for an aquaculture center and its potential economic impact should be undertaken before the state makes a significant financial commitment to such a project.

7. The Building Commission's recommendation states that "program revenue bonding, Native American gaming compact funds, was suggested in part due to the relationship of fishing to the traditional economic basis of Native American tribes." It appears, however, that the proposed facility would have no direct connection, nor provide any direct benefit, to Native American individuals or tribes beyond the potential for increased economic development for the entire northern Wisconsin region.

## ALTERNATIVES

No. 1. Approve the Governor's recommendation to provide \$3,000,000 in program revenue supported borrowing and create two new, annual PR appropriations under the UW System related to the proposed aquaculture demonstration facility in Ashland for: (a) the repayment of principal and interests costs incurred in financing the construction of the facility; and (b) the operational costs of the facility.

#1 2. Modify the Governor's recommendation by requiring the Board of Regents to submit to the Joint Committee on Finance for its approval under s. 13.10 of the statutes, a plan for the construction and operation of the proposed aquaculture facility including: (a) a description of the physical characteristics of the facility; (b) the functions to be performed by the center; (c) how, and by whom, those functions would be carried out; (d) staffing levels; and (e) estimated operational costs. Specify that the program revenue bonding for construction of the facility could not be issued until the Committee has approved the University's plan.

JK 3. Maintain current law.

<b>Alternative 3</b>	<b>BR</b>
1999-01 FUNDING (Change to Bill)	- \$3,000,000

Prepared by: Merry Larsen