



## Legislative Fiscal Bureau

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May 18, 2005

Joint Committee on Finance

Paper #784

### **Aquaculture Demonstration Facility Operational Funding (UW System)**

[LFB 2005-07 Budget Summary: Page 503, #21]

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#### **CURRENT LAW**

Construction of the aquaculture demonstration facility was approved under 1999 Act 9 along with two new, annual PR appropriations under the UW System, one for principal repayment and interest of construction costs and the other for operational costs. The PR funding for the UW appropriations is derived from tribal gaming revenues with base funding for operations of \$100,700.

#### **GOVERNOR**

Provide \$288,200 in 2005-06 and \$392,000 in 2006-07 from tribal gaming revenue to provide additional funding for the operation of the Ashland aquaculture demonstration facility.

#### **DISCUSSION POINTS**

1. The facility was funded with \$3,000,000 in program revenue (tribal gaming revenues) supported borrowing under 1999 Act 9, and oversight of the facility was assigned to the UW System. Under 2001 Act 16, the Legislature provided authority to increase the project enumeration by \$350,000 and authorized an additional \$350,000 in PR supported bonding for the purchase of movable equipment for the aquaculture facility.

2. The UW System President has designated UW-Superior as the institution to administer the development and operation of the facility. A steering committee, consisting of representatives from UW-Superior, UW-Milwaukee Water Institute, UW-Extension, Wisconsin Sea Grant Institute, Wisconsin DNR, Wisconsin DATCP, City of Ashland, Lac du Flambeau Tribal Natural Resources, Bureau of Indian Affairs, and the Wisconsin aquaculture industry, has been

assembled to coordinate the facility's development and programming. The use of tribal gaming revenue for the operating and construction costs was authorized for the aquaculture facility based on the original Building Commission recommendation, because of the relationship of fishing to the traditional economic basis of Native American tribes.

3. The mission of the aquaculture facility is to promote and advance the development of commercial aquaculture in a northern climate, with specific emphasis on the state of Wisconsin. At the facility, workshops would be offered for potential aquaculturists, internships would be available for students from area technical colleges and universities, advanced workshops/seminars on new techniques and technologies would be designed for experienced members of the aquaculture industry, and applied research projects would be designed and conducted based on problems posed by the industry. Construction of the facility is scheduled for completion in the spring of 2005.

4. In order to establish a fully operational facility, the current facility director and UW-Superior requested \$287,500 PR and 3.0 PR positions in 2005-06 and \$391,300 PR with 5.0 PR positions in 2006-07 over base funding of \$100,700 PR. The funding request would provide funding to fully staff and operate the facility by 2006-07. According to the facility director, the additional funding request would be utilized for the following: \$139,300 in 2005-06 and \$243,100 in 2006-07 for salary and fringe benefits for 3.0 PR positions in 2005-06 and 5.0 PR positions in 2006-07; and \$148,200 in 2005-06 and 2006-07 for supplies, equipment maintenance, and utility costs.

5. Funding requested in the first year would be utilized to open the facility with basic operations, and install and test equipment. In addition, the facility would hire and train an aquaculture technician, maintenance/plumbing assistant, and a clerical assistant. Requested funding and position authority would enable the UW-Superior to begin the first phase of a USDA grant-funded yellow perch project and start the production scale hatchery. In 2006-07, the facility plans to begin full-scale experiments, aquaculture testing, and educational outreach through tours and workshops for the public and industry. The requested second year funding would provide funding and position authority for an additional aquaculture technician and an outreach specialist, and would permit the facility to expand educational outreach activities to industry and the public, and attract additional federal and private grants for fisheries research.

6. Under AB 100, the \$288,200 in 2005-06 and \$392,000 in 2006-07 would be allocated for supplies and services. If the Committee approves the request for additional funding, it may wish to reallocate funding to salaries and fringe benefits and to provide 3.0 PR positions in 2005-06 and 5.0 PR positions in 2006-07.

7. Under current law, state payments from the tribes are credited to: (a) a Department of Administration (DOA) appropriation for Indian gaming receipts in the amount necessary to make transfers specified under the appropriation to other state programs; (b) the Department of Justice (DOJ) Indian gaming law enforcement appropriation; and (c) the DOA general program operations appropriation relating to Indian gaming regulation under the compacts. These appropriations constitute a "first-draw" on tribal payments and Indian gaming receipts not otherwise credited to these appropriation accounts are deposited in the general fund. Therefore, increasing tribal gaming

allocations to agencies has the effect of decreasing revenue deposited in the general fund, and, conversely, decreasing or eliminating tribal gaming allocations to agencies has the effect of increasing general fund revenue.

8. Rather than fully fund the facility's requested operational costs, the Committee could consider reducing the operational funding by \$50,000 in 2005-06 and \$100,000 in 2006-07 and providing 2.0 PR positions in 2005-06 and 3.0 PR positions in 2006-07. Under this alternative, funding for salary and fringe benefits in 2005-06 would be reduced by \$45,000 with two positions reduced to half-time, and supplies and service expenses would be reduced by \$5,000. The funding for the second year would be reduced by an additional \$50,000 with hiring of the outreach specialist delayed until 2007-08, or hiring a part-time technician and a part-time outreach specialist to accommodate the reduced funding and position authority. This alternative would limit the facilities outreach and educational activities; however, it would provide sufficient funding to operate the facility.

9. If no additional operational funding or position authority would be provided for the facility during the 2005-07 biennium, the newly-constructed facility would likely not be utilized unless the Board of Regents or UW-Superior reallocated base funding from other appropriations to support the facility. However, given that the UW System Board of Regents did not originally request the facility, and that it was subsequently assigned to UW-Superior, it is uncertain whether either the UW System or the UW-Superior would fund operational costs for this facility through a base funding reallocation.

**ALTERNATIVES**

1. Approve Governor's recommendation.

2. Modify the Governor's recommendation to provide 3.0 positions in 2005-06 and 5.0 positions in 2006-07 and reallocate \$139,300 in 2005-06 and \$243,100 in 2006-07 for salary and fringe benefit costs associated with the positions.

<u>Alternative 2</u>	<u>PR</u>
<b>2006-07 POSITIONS</b> (Change to Bill)	5.00

3. Reduce funding provided under AB 100 by \$50,000 in 2005-06 and \$100,000 in 2006-07, provide 2.0 positions in 2005-06 and 3.0 positions in 2006-07, and reallocate \$94,900 in 2005-06 and \$148,100 in 2006-07 for salary and fringe benefit costs associated with the positions.

<u>Alternative 3</u>	<u>GPR-REV</u>	<u>PR</u>
<b>2005-07 REVENUE</b> (Change to Bill)	\$150,000	
<b>2005-07 FUNDING</b> (Change to Bill)		- \$150,000
<b>2006-07 POSITIONS</b> (Change to Bill)		3.00

4. Delete the provision.

<u>Alternative 4</u>	<u>GPR-REV</u>	<u>PR</u>
<b>2005-07 REVENUE</b> (Change to Bill)	\$680,200	
<b>2005-07 FUNDING</b> (Change to Bill)		- \$680,200

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