



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

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Joint Committee on Finance

Paper #138

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

[LFB 2011-13 Budget Summary: Page 56, #9]

#### CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection (DATCP) food safety program is responsible for enforcing state sanitary and food purity standards affecting: (a) food processors, warehouses, and retail food establishments; and (b) milk producers, processors and haulers, including enforcement of the Grade A pasteurized milk ordinance. It is funded primarily by GPR and various PR sources, including annual license fees and monthly procurement fees assessed on dairy processors for milk purchases.

The agrichemical management program regulates activities involving animal feed, pesticides, fertilizers, and other agricultural chemicals. This includes monitoring groundwater that may be vulnerable to contamination by the use of agricultural chemicals. The program is supported by the segregated agrichemical management (ACM) fund, which receives various license, product registration, and tonnage fees assessed against agrichemical production and sales.

DATCP maintains a laboratory in Madison for testing required for the food safety and agricultural chemical programs. Laboratory services for these programs may provide both evidence in cases of suspected law violations and indications of broader risks to public health and welfare. The Bureau of Laboratory Services charges other departmental programs for its services. These charges are reflected as expenditures to the programs and as revenues to the laboratory. In August, 2013, the laboratory is expected to move into a new facility on Madison's southeast side. This new facility was authorized in the state's 2009-11 building program, and construction is expected to begin in July, 2011.

#### GOVERNOR

Provide \$302,200 PR and \$768,300 SEG in 2011-12 and \$343,800 PR and \$873,200 SEG in 2012-13 for costs associated with laboratory services in the food safety and agricultural

chemical programs. Provide \$150,000 PR in 2011-12 and \$170,000 PR in 2012-13 for laboratory equipment purchases.

## DISCUSSION POINTS

### Laboratory Service Charges

1. DATCP reports the increased food safety and agrichemical management expenditures would increase the laboratory cash balances in anticipation of potential future cost increases for equipment and building rent. These costs are not known as of May, 2011, but are expected to be higher than current levels. Administration officials indicate any charges under this provision that would exceed actual amounts needed in 2011-13 would likely be offset in the 2013-15 biennium with lower charges assessed to the food safety and agrichemical management programs.

2. Table 1 below shows the condition of the laboratory services PR biennial appropriation under the bill. Laboratory service revenues are divided between amounts received from the ACM fund and the Division of Food Safety (DFS) food regulation PR appropriation. DATCP reports it attempts to manage the laboratory services PR account to maintain a balance of approximately 10% of the annual expenditure authority, which allows for a reserve for unexpected equipment maintenance. Including the estimated June 30, 2011, balance, year-end balances over the last 10 years have averaged 14% of expenditures. Under the bill, this percentage would be approximately 21% on June 30, 2012, and approximately 52% on June 30, 2013, although year-end balances may be reduced in 2011-13 by lapses to the general fund required of most PR-supported programs under the bill.

**TABLE 1**

### DATCP Laboratory Services Appropriation Condition

	Actual <u>2008-09</u>	Actual <u>2009-10</u>	Estimated <u>2010-11</u>	Bill <u>2011-12</u>	Bill <u>2012-13</u>
Opening Balance	\$305,300	\$247,100	\$358,100	\$378,400	\$623,200
ACM Revenue	1,662,000	1,763,000	1,809,100	2,270,800	2,386,900
DFS Revenue	<u>920,700</u>	<u>976,500</u>	<u>1,002,400</u>	<u>1,203,600</u>	<u>1,251,400</u>
Total Revenue	2,582,700	2,739,500	\$2,811,500	\$3,474,400	\$3,638,300
Expenditures	-2,640,900	-2,628,500	-2,791,200	-2,956,500	-2,982,000
General Fund Transfers	<u>0</u>	<u>0</u>	<u>0</u>	<u>-273,100</u>	<u>-273,100</u>
Closing Balance	\$247,100	\$358,100	\$378,400	\$623,200	\$1,006,400

3. Of the amounts the bill would provide, the Department reports they are in part to fund costs associated with the new laboratory and in part to provide authority for current expenditures on laboratory services that have not been provided to the food safety and ACM programs in past biennia but that the laboratory currently charges. DATCP estimates the food regulation PR account currently spends approximately \$127,100 more on laboratory expenditures than is budgeted, and the ACM fund spends approximately \$353,800 more than budgeted for

laboratory services. DATCP contends this disparity in funding draws down remaining expenditure authority for the food safety and ACM programs. These expenditures must be offset by: (a) reducing other supplies and services expenditures; (b) reducing personnel costs by holding positions vacant; or (c) reducing payments for laboratory services, which would transfer shortfalls to that program. Table 2 shows the increase to base funding the bill would provide for each program's current laboratory expenses, as well as what increases would be made in anticipation of the fee structure at the new lab.

**TABLE 2**

**Laboratory Services-Related Increases**

	Bill <u>2011-12</u>	Bill <u>2012-13</u>	<u>Biennium</u>
<b>Food regulation (PR)</b>			
Base Increase	\$127,100	\$127,100	\$254,200
New Laboratory	<u>175,100</u>	<u>216,700</u>	<u>391,800</u>
Bill Increase	\$302,200	\$343,800	\$646,000
<b>Agrichemical management (SEG)</b>			
Base Increase	\$353,800	\$353,800	\$707,600
New Laboratory	<u>414,500</u>	<u>519,400</u>	<u>933,900</u>
Bill Increase	\$768,300	\$873,200	\$1,641,500

4. Under the bill, the food regulation PR annual appropriation would have a June 30, 2013, balance of approximately \$1.7 million and the ACM fund would have a balance of approximately \$0.9 million. (The condition statements are shown in Paper #143.) Despite the balances in these accounts, it is currently estimated that the ACM fund may have a yearly revenue shortfall of \$100,000 to \$200,000 each year of the coming biennium. The food regulation PR appropriation is generally expected to have an operating surplus, but its balance is more stable than many other DATCP PR appropriations, and it may be reduced by required departmental lapses to the general fund under the bill.

5. The Committee could consider adopting the Governor's recommendation [Alternative A1]. This would increase expenditure authority for the programs that use laboratory services to support potential cost increases associated with the new lab.

6. It could be argued that increased expenditure authority for laboratory charges to agency programs is premature, given the uncertainty of future lease and other costs for the laboratory program. The Committee could consider deleting the Governor's recommendation [Alternative A3], or provide only the \$127,100 PR and \$353,800 SEG annually to cover the food safety and ACM programs' current laboratory services costs [Alternative A2]. Under either alternative, DATCP could request, either in subsequent budget legislation or through a 14-day passive review request to the Committee, additional resources as necessary once the new cost structure is established.

**Laboratory Equipment**

7. In addition to expenditure authority for charges to the food regulation and ACM

programs, the bill would provide \$320,000 PR for equipment expenditures. DATCP reports it has requested equipment purchases under all-agency funding in the capital budget, and if approved, it would expect these expenditures to be paid as rent to the Department of Administration. If some or all equipment is not approved as a capital expenditure, however, the laboratory program would likely use this expenditure authority for equipment purchases on a cash basis.

8. The Committee could consider adopting the Governor's recommendation [Alternative B1]. The Committee could also consider deleting the provision. The DATCP laboratory program would be required to provide for any rent costs or cash purchases through existing authority, or seek additional authority through a 14-day passive review request once costs were known.

**ALTERNATIVES**

**A. Laboratory Service Charges**

1. Adopt the Governor's recommendation for additional expenditure authority for the DATCP appropriations for food regulation PR and agrichemical management SEG.

2. Reduce funding related to anticipated laboratory fee levels by \$175,100 PR in 2011-12 and \$216,700 PR in 2012-13, and \$414,500 SEG in 2011-12 and \$519,400 SEG in 2012-13.

<b>ALT A2</b>	<b>Change to Bill Funding</b>
PR	- \$391,800
SEG	<u>- 933,900</u>
Total	- \$1,325,700

3. Delete provision. (DATCP could seek additional resources once costs are known.)

<b>ALT A3</b>	<b>Change to Bill Funding</b>
PR	- \$646,000
SEG	<u>- 1,641,000</u>
Total	- \$2,287,500

**B. Laboratory Equipment**

1. Adopt the Governor's recommendation to provide \$150,000 PR in 2011-12 and \$170,000 PR in 2012-13 related to laboratory equipment purchases.

2. Delete provision.

<b>ALT B2</b>	<b>Change to Bill Funding</b>
PR	- \$320,000

Prepared by: Paul Ferguson