

Texas A&M Veterinary Medical Diagnostic Laboratory
Summary of Recommendations - Senate

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Method of Financing	2016-17 Base	2018-19 Recommended	Biennial Change (\$)	Biennial Change (%)
General Revenue Funds	\$17,948,842	\$17,338,110	(\$610,732)	(3.4%)
GR Dedicated Funds	\$0	\$0	\$0	0.0%
Total GR-Related Funds	\$17,948,842	\$17,338,110	(\$610,732)	(3.4%)
Federal Funds	\$528,000	\$652,000	\$124,000	23.5%
Other	\$20,787,263	\$20,031,106	(\$756,157)	(3.6%)
All Funds	\$39,264,105	\$38,021,216	(\$1,242,889)	(3.2%)

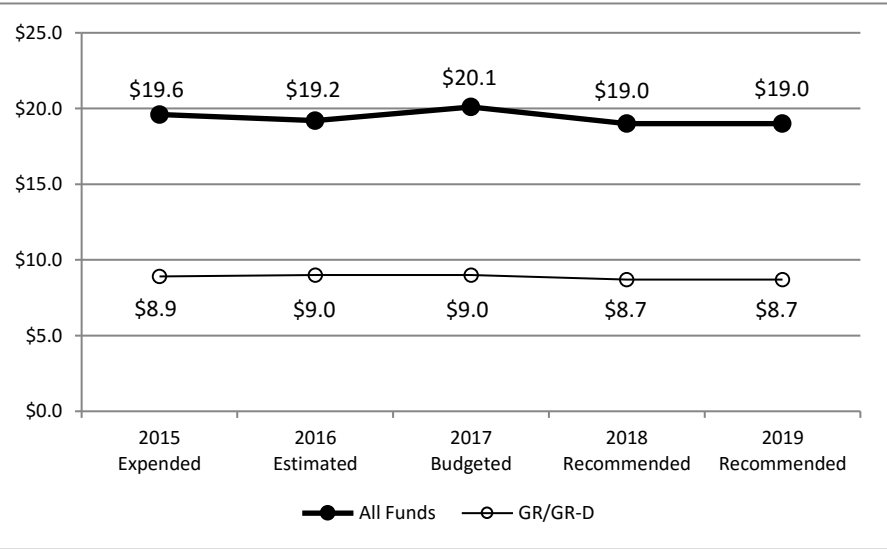
	FY 2017 Budgeted	FY 2019 Recommended	Biennial Change	Percent Change
FTEs	165.0	161.0	(4.0)	(2.4%)

Agency Budget and Policy Issues and/or Highlights

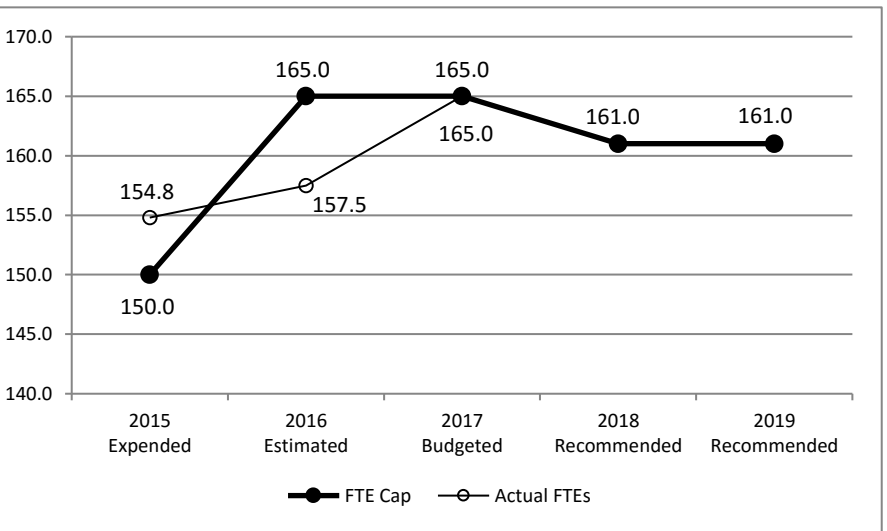
Texas A&M Veterinary Medical Diagnostic Laboratory (TVMDL) provides fee-based veterinary medical diagnostic services and drug testing which contributes to an animal and zoonotic disease surveillance system. TVMDL also performs drug tests for pari-mutuel racing animals and livestock shows.

The bill pattern for this agency (2018-19 Recommended) represents an estimated 99.7% of the agency's estimated total available funds for the 2018-19 biennium.

Historical Funding Levels (Millions)



Historical Full-Time-Equivalent Employees (FTEs)



Texas A&M Veterinary Medical Diagnostic Laboratory
Summary of Funding Changes and Recommendations - Senate

Funding Changes and Recommendations for the 2018-19 Biennium compared to the 2016-17 Base Spending Level (in millions)		General Revenue	GR-Dedicated	Federal Funds	Other Funds	All Funds	Strategy in Appendix A
<i>SIGNIFICANT Funding Changes and Recommendations (each issue is explained in Section 3 and additional details are provided in Appendix A):</i>							
A)	Diagnostic services and indirect administration funding decreases as a result of the agency's four percent General Revenue base reduction (includes decrease of 4 FTEs).	(\$0.4)	\$0.0	\$0.0	\$0.0	(\$0.4)	A.1.1, C.1.1.
B)	Debt service requirements decrease for College Station laboratory.	(\$0.1)	\$0.0	\$0.0	\$0.0	(\$0.1)	C.2.1.
<i>OTHER Funding Changes and Recommendations (these issues are not addressed in Section 3 but details are provided in Appendix A):</i>							
C)	Miscellaneous items (e.g., reduced operating expenses, benefits costs proportionality changes, federal agricultural grant increases).	\$0.0	\$0.0	\$0.1	(\$0.8)	(\$0.7)	10 strategies
TOTAL SIGNIFICANT & OTHER Funding Changes and Recommendations (in millions)		(\$0.5)	\$0.0	\$0.1	(\$0.8)	(\$1.2)	As Listed
<i>SIGNIFICANT & OTHER Funding Increases</i>		\$0.0	\$0.0	\$0.1	\$0.0	\$0.1	As Listed
<i>SIGNIFICANT & OTHER Funding Decreases</i>		(\$0.5)	\$0.0	\$0.0	(\$0.8)	(\$1.3)	As Listed

NOTE: Totals may not sum due to rounding.

**Texas A&M Veterinary Medical Diagnostic Laboratory
Selected Fiscal and Policy Issues - Senate**

1. **Four Percent General Revenue Base Reduction.** Recommendations include a reduction of \$0.4 million in General Revenue Funds (includes 4.0 FTEs) due to the four percent base reduction requirement (note: Infrastructure Support funding was exempted from the reduction calculation because it is formula funded). TVMDL reports the funding reduction will require the agency to reduce its services in the following areas: a) kinds and amount of testing services; b) maintaining an adequate level of surveillance; and c) responding to high consequence disease events. The agency also indicates these funds have historically been leveraged to obtain fee-generated income. The agency has submitted an Exceptional Item request to restore the General Revenue Funds.
2. **Debt Service Funding for College Station Laboratory.** Recommendations include a \$0.1 million decrease in General Revenue Funds for debt service requirements for the agency's College Station laboratory. The agency's FY2016-17 base expenditures include \$6.0 million in General Revenue Funds for debt service and FY2018-19 debt service totals \$5.9 million. Construction of the new headquarters laboratory in College Station has been completed and will become operational in February 2017.

Related to this debt service issue is a new request from the agency to revise its College Station Laboratory (CSL) rider to allow the agency to refinance its existing debt service to not only maintain construction funding for the CSL, but to also provide for a new laboratory in the Texas Panhandle. This rider revision request from the agency is not included in the recommendations. Background information and details related to the agency's rider revision request is as follows.

In 2012, the agency submitted an Exceptional Item request to the 83rd Legislature for: 1) approval to construct a new CSL to replace the lab that was built in 1967, and 2) General Revenue Funds for the related debt service estimated to be \$3.0 million per fiscal year to make payments on a 30-year "revenue financing system bonds" note. The agency's request was approved; the construction note was issued in February 2015 for \$45.5 million; and the first debt service payment was made in May 2015 for \$2.9 million. The agency indicates the current CSL note can be paid off in May 2038 under current terms. The agency proposes refinancing the existing debt service term to 40 years which would provide sufficient funds to complete the CSL obligations and construct a new laboratory in the Texas Panhandle to replace an existing Amarillo laboratory that was built in 1975. The agency estimates the construction cost for the new Panhandle laboratory is \$15.0 million, and the proposed project has not yet been presented to the Texas A&M Board of Regents for approval.

3. **Infrastructure Support.** Funding to Texas A&M System agencies for infrastructure support within Brazos County is maintained at 2016-17 total appropriations, but is adjusted for 2018-19 for each respective agency based on updated data. Texas A&M System agricultural agencies also receive funding for infrastructure support outside Brazos County which is proportionally allocated to those agencies by their percentage of total actual square footage, and the 2018-19 funding recommendations are maintained at 2016-17 total appropriations.

**Texas A&M Veterinary Medical Diagnostic Laboratory
Items Not Included in Recommendations - Senate**

		2018-19 Biennial Total					
		GR & GR-D	All Funds	FTEs	Information Technology Involved?	Contracting Involved?	Estimated Continued Cost 2020-21
Agency Exceptional Items - In Agency Priority Order							
A)	Restore the Four Percent General Revenue Base Reduction Funding and 4.0 FTEs related to diagnostic services and indirect administration costs. The agency reports the funding impacts the following operational areas: 1) kinds and amount of testing services; 2) maintaining an adequate level of surveillance; and 3) responding to high consequence disease events. The agency also indicates these funds have historically been leveraged to obtain fee-generated income.	\$425,754	\$425,754	4.0	No	No	\$425,754
B)	Veterinary Biosurveillance Capacity Development Program Funding for three components to detect new diseases affecting animals and public health: <ul style="list-style-type: none">• training programs for veterinary diagnostic laboratory specialists;• sample handling automation and robotics which would allow machines to perform repetitive procedures; and• employ an epidemiologist and scientist to perfrom data mining and analysis.	\$2,040,000	\$2,040,000	9.0	No	No	\$1,500,000
C)	Rider Revision Request The agency requests revisions to Rider 3, College Station Laboratory to allow the agency to refinance its existing debt service for the College Station laboratory to also include debt service for additional laboratories, specifically a new laboratory in the Texas Panhandle (see Section 3 for details).	\$0	\$0	0.0	No	No	\$0
TOTAL Items Not Included in Recommendations		\$2,465,754	\$2,465,754	13.0	\$1,925,754		

Texas A&M Veterinary Medical Diagnostic Laboratory
Appendices - Senate

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* Appendix is not included - no significant information to report

** Information is included in the presentation section of the packet

Texas A&M Veterinary Medical Diagnostic Laboratory
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
DIAGNOSTIC SERVICES A.1.1	\$23,308,393	\$23,477,362	\$168,969	0.7%	Recommendations include: 1) \$0.4 million decrease in General Revenue Funds and a reduction of four FTEs resulting from the four percent base reduction requirement (see Section 3 for details); 2) \$0.1 million increase in Federal Funds related to federal agricultural grants; and 3) \$0.4 million increase in Other Funds related to laboratory fee revenue reallocated to this strategy from another strategy.
DRUG TESTING SERVICE A.2.1	\$1,720,470	\$1,715,740	(\$4,730)	(0.3%)	Recommendations include a \$4,730 decrease in Other Funds due to the agency reducing operating expenses.
Total, Goal A, DIAGNOSTIC AND DRUG TESTING	\$25,028,863	\$25,193,102	\$164,239	0.7%	
STAFF GROUP INSURANCE B.1.1	\$1,746,752	\$1,693,142	(\$53,610)	(3.1%)	Recommendations include a \$0.1 million net decrease in All Funds due to benefits costs proportionality requirements.
WORKERS' COMP INSURANCE B.1.2	\$27,148	\$26,752	(\$396)	(1.5%)	Recommendations include a \$396 net decrease in All Funds due to benefits costs proportionality requirements.
UNEMPLOYMENT INSURANCE B.1.3	\$21,114	\$20,806	(\$308)	(1.5%)	Recommendations include a \$308 net decrease in All Funds due to benefits costs proportionality requirements.
OASI B.1.4	\$828,496	\$808,328	(\$20,168)	(2.4%)	Recommendations include a \$20,168 net decrease in All Funds due to benefits costs proportionality requirements.
OPTIONAL RETIREMENT PROGRAM B.1.5	\$7,681	\$7,568	(\$113)	(1.5%)	Recommendations include a \$113 net decrease in All Funds due to benefits costs proportionality requirements.
Total, Goal B, STAFF BENEFITS	\$2,631,191	\$2,556,596	(\$74,595)	(2.8%)	

Texas A&M Veterinary Medical Diagnostic Laboratory
Funding Changes and Recommendations - Senate, by Strategy -- ALL FUNDS

Strategy/Goal	2016-17 Base	2018-19 Recommended	Biennial Change	% Change	Comments
INDIRECT ADMINISTRATION C.1.1	\$3,110,925	\$3,151,484	\$40,559	1.3%	Recommendations include: 1) \$0.1 million increase in Other Funds to cover the costs of one FTE added in FY2016 in Indirect Administration; and 2) \$43,607 decrease in General Revenue Funds primarily resulting from the four percent base reduction requirement (see Section 3 for details).
INFRASTRUCTURE SUPPORT IN BRAZOS CO C.1.2	\$2,103,497	\$1,099,298	(\$1,004,199)	(47.7%)	Infrastructure Support formula funding General Revenue amount for FY2018-19 is based on FY2016-17 total appropriated levels and adjusted based on updated data. FY2016-17 base amount includes Other Funds (laboratory fee revenue).
INFRASTRUCT SUPP OUTSIDE BRAZOS CO C.1.3	\$389,629	\$164,086	(\$225,543)	(57.9%)	Infrastructure Support formula funding General Revenue amount for FY2018-19 is based on FY2016-17 total appropriated levels and adjusted based on updated data. FY2016-17 base amount includes Other Funds (laboratory fee revenue).
DEBT SERVICE - COLLEGE STATION C.2.1	\$6,000,000	\$5,856,650	(\$143,350)	(2.4%)	Recommendations include a \$0.1 million decrease in General Revenue Funds for debt service requirements for the agency's College Station laboratory. Construction of the new headquarters laboratory in College Station has been completed and will become operational in February 2017 (see Section 3 for details).
Total, Goal C, INDIRECT ADMINISTRATION	\$11,604,051	\$10,271,518	(\$1,332,533)	(11.5%)	
Grand Total, All Strategies	\$39,264,105	\$38,021,216	(\$1,242,889)	(3.2%)	

Texas A&M Veterinary Medical Diagnostic Laboratory
Performance Measure Highlights - Senate

	Expended 2015	Estimated 2016	Budgeted 2017	Recommended 2018	Recommended 2019
<ul style="list-style-type: none"> • <i>Number of Diagnostic Services Rendered</i> 	771,686	796,384	837,064	845,435	862,343
<i>Measure Explanation: This measure quantitates the number of diagnostic services (i.e., different analytical and diagnostic tests) performed on cases and specimens submitted to the laboratory.</i>					
<ul style="list-style-type: none"> • <i>Number of Cases Submitted and Examined</i> 	143,911	149,435	153,620	156,693	159,826
<i>Measure Explanation: This measure counts the number of diagnostic cases submitted and examined by the laboratory in a given fiscal year. A single case can contain multiple tests.</i>					
<ul style="list-style-type: none"> • <i>Number of Surveillance Tests Performed for Agents of Bio- or Eco-terrorism</i> 	259,409	270,618	275,000	275,000	275,000
<i>Measure Explanation: This measure quantitates the number of diagnostic tests performed at the laboratory in its surveillance efforts for bio- or eco-terroristic agents. Examples of animal diseases that can cause harm to both animals and people are: Foot and Mouth Disease, Chronic Wasting Disease, Avian Influenza, African and Classical Swine Fever, Newcastle Disease, and others.</i>					

**Texas A&M Veterinary Medical Diagnostic Laboratory
Summary of Ten Percent Biennial Base Reduction Options - Senate**

Priority	Item	Description/Impact	Biennial Reduction Amounts			Potential Revenue Loss	Reduction as % of Program GR/GR-D Total	Included in Introduced Bill?
			GR & GR-D	All Funds	FTEs			
1)	Delay in Equipment Purchases	Reduction in purchase of capital laboratory equipment. The agency reports it has historically deferred needed equipment replacement in order to reduce expenses, but that equipment replacement is needed in order to deliver services to livestock, poultry and companion animal owners.	\$510,904	\$510,904	0.0	\$0	5%	No
2)	Reduction in Operating Costs and Travel	Reduction in travel and other professional development expenses. The agency indicates reductions in this category would impact its ability to obtain continuing education for agency staff. The agency also reports that a reduction in this area would impact in-person client relations and assuring relevancy of testing services.	\$64,000	\$64,000	0.0	\$0	5%	No
3)	Reduction in Employees	Reduction of four FTEs. TVMDL indicates this would impact the agency's ability to meet customer testing requirements, reduce testing turnaround time, or be prepared to respond to and recover from an agriculture or zoonotic disease outbreak. The agency also reports that a reduction in staffing would translate into a loss in business and reduction in testing income.	\$466,904	\$466,904	4.0	\$670,356	5%	No
TOTAL, 10% Reduction Options			\$1,041,808	\$1,041,808	4.0	\$670,356		