

TEXAS VETERINARY MEDICAL
DIAGNOSTIC LABORATORY

SUNSET STAFF REPORT

FEBRUARY 2006



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SUMMARY

Summary

The Texas Legislature created the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) in 1967, providing for its staffing and facility needs, but little else in the way of the statutory underpinnings of a state agency. Housed adjacent to the School of Veterinary Medicine at Texas A & M University, TVMDL for years has provided a service to the animal industry in Texas, performing diagnostic testing for animal owners on a voluntary basis and reporting results of its testing to regulatory agencies as necessary to avert an epidemic or to address public health concerns.

Despite the lack of clear statutory guidance to define its mission, the agency continues to function as it always has, even as it has encountered significant changes that could affect its operations. The agency's workload has shifted away from its original focus on large animals in Texas towards companion animal and out-of-state testing, which have less to do with the traditional task of identifying disease outbreaks and other problems affecting human health or animal production in Texas. The agency performs disease testing for the Texas Animal Health Commission and other state and federal agencies, including testing for mad cow disease for the United States Department of Agriculture. The agency also performs surveillance of disease occurrence by monitoring instances of diseases throughout the state. Due to heightened concern about animal disease outbreaks, TVMDL also plays a role in the National Animal Health Laboratory Network, designed to provide regional laboratory resources for a faster, more effective response. TVMDL's statute, however, does not address any of these factors affecting its operations.



To increase accountability to the public and the Legislature, TVMDL needs its powers and duties clearly reflected in statute.

In reviewing TVMDL's operations, Sunset staff sought to balance the agency's need for flexibility with the Legislature's need for accountability. With little statutory framework, the agency has had freedom to perform its tasks largely as it determines and to respond quickly to changing conditions. This flexibility has come largely at the expense of accountability – to see that the agency is held to a standard of performance for its work, and the assurance that desired agency activities will continue in the future. Sunset staff also considered the agency's method of setting fees for diagnostic tests, focusing on the practice of subsidizing the cost of tests that have less to do with protecting overall human or animal health and relate more to the personal benefit of the individual animal owner.

The recommendations in this report are designed to address these concerns and the need to continue TVMDL as a separate state agency. A summary of the Sunset staff recommendations in this report is provided in the following material.

Issues and Recommendations

Issue 1

Texas Has a Continuing Need for the Texas Veterinary Medical Diagnostic Laboratory.

Key Recommendation

- ◆ Continue the Texas Veterinary Medical Diagnostic Laboratory for 12 years.

Issue 2

TVMDL's Current Statute Is an Inaccurate Reflection of Its Functions, Resulting in Decreased Accountability to the Legislature and the Public.

Key Recommendations

- ◆ Clarify TVMDL's current powers and duties in statute.
- ◆ Require the agency to provide notice and opportunity for public comment when developing its fee schedule.
- ◆ TVMDL should work with the Legislative Budget Board to develop a more clearly defined bill pattern in the General Appropriations Act.

Issue 3

TVMDL Uses State Funds to Subsidize Tests That Do Not Relate to Statewide Public Health or Economic Loss.

Key Recommendation

- ◆ Require TVMDL to obtain full cost recovery for tests that do not relate to statewide public health or economic loss.

Fiscal Implication Summary

When fully implemented, the recommendations in this report could result in almost \$500,000 in savings to the General Revenue Fund. The specific fiscal impact of this recommendation is summarized below.

- ◆ Issue 3 – Removing the subsidy for all tests that are not reported could result in a possible revenue gain of \$500,000. Phasing this provision in over two years would allow the Legislature to gradually offset TVMDL's appropriation, resulting in a possible \$250,000 savings to the General Revenue Fund in fiscal year 2008, and a full savings of up to \$500,000 in fiscal year 2009.

ISSUES

Texas Has a Continuing Need for the Texas Veterinary Medical Diagnostic Laboratory.

Summary

Key Recommendation

- ◆ Continue the Texas Veterinary Medical Diagnostic Laboratory for 12 years.

Key Findings

- ◆ The Texas Veterinary Medical Diagnostic Laboratory performs diagnostic testing for the livestock and poultry industries, animal owners, and veterinarians.
- ◆ TVMDL's testing provides a vital link in the state and federal effort to identify animal diseases.
- ◆ The current organizational structure of TVMDL provides essential coordination of academic research and disease diagnostics.
- ◆ Many other states provide animal diagnostic services through a structure similar to TVMDL.

Conclusion

The Texas Veterinary Medical Diagnostic Laboratory (TVMDL) is the only laboratory in Texas that provides complete diagnostic services to animal owners, as well as the commercial livestock industry. In light of TVMDL's role in state and federal program testing and surveillance, as well as its increased role in the event of an animal disease outbreak, the State has an interest in maintaining a facility capable of rapidly diagnosing and reporting potentially harmful diseases.

Maintaining TVMDL at Texas A&M University will provide numerous academic and professional resources, and ensure coordination between relevant animal health-related programs and departments in the event of an animal health emergency. Though the Texas Animal Health Commission has a system of laboratories, the agency only performs limited, mandatory testing in accordance with state and federal programs, while TVMDL performs voluntary diagnostic testing on sick animals. Maintaining TVMDL at Texas A&M University would cultivate needed expertise, and ensure continued coordination with the University, as well as the appropriate regulatory agency, the Texas Animal Health Commission.

Support

The Texas Veterinary Medical Diagnostic Laboratory performs diagnostic testing for the livestock and poultry industries, animal owners, and veterinarians.

- ◆ The Legislature created the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) in 1967, recognizing an “urgent need for the creation and establishment of a veterinary medical diagnostic laboratory to serve the people of Texas.”¹ Today, TVMDL provides diagnostic services to the livestock and poultry industries, pet owners, and veterinarians in Texas, as well as other states and foreign countries. In fiscal year 2005, TVMDL performed diagnostic testing for approximately 188,000 cases.
- ◆ TVMDL tests animals on a voluntary basis to identify animal diseases, nutritional deficiencies, various toxins, and other problems to help ensure animal health. TVMDL’s disease testing may also provide the basis for state and federal regulatory agencies to initiate control activities to avert potential epidemics.
- ◆ The Texas Racing Act requires all animals participating in pari-mutuel races be tested for prohibited substances.² TVMDL performs all pari-mutuel drug testing through a memorandum of understanding with the Texas Racing Commission. TVMDL tests approximately 20,000 greyhound samples and 8,000 horse samples each year.



Unlike private laboratories, TVMDL provides a body of information for veterinary professionals statewide to improve animal care.

TVMDL’s testing provides a vital link in the state and federal effort to identify animal diseases.

- ◆ TVMDL is the only laboratory in Texas that provides complete animal diagnostic services. While many veterinary hospitals have laboratories, they are generally not equipped to perform the types of testing that TVMDL provides. This testing helps owners of livestock and companion animals by diagnosing illnesses and other problems so they can take corrective action to maintain the health of their animals. Unlike private diagnostic labs, TVMDL’s testing provides a body of information that is shared with veterinary professionals throughout the state for improved care of the state’s animals.
- ◆ TVMDL performs a variety of testing services to identify potentially harmful diseases that must be reported to various state agencies. TVMDL must report any incidence of foreign animal or high consequence diseases, such as mad cow or foot-and-mouth disease, to both the Texas Animal Health Commission and the National Veterinary Services Laboratory, so that proper control activities may be initiated to halt their spread. In addition, TVMDL performs all equine infectious anemia virus testing for the Commission, generally required for interstate movement of horses. Through a memorandum of understanding with the Texas Department of State Health Services, TVMDL reports instances of certain zoonotic diseases, such as rabies, anthrax, or

tuberculosis.³ Finally, TVMDL performs all chronic wasting disease testing for the Texas Parks & Wildlife Department to ensure the health of Texas deer and elk, as well as any cervidae imported into the State.

- ◆ As the risk of reportable and high consequence/foreign animal diseases increases, reliable diagnostic services will continue to be needed to protect public health, as well as the commercial livestock industry. The United States Department of Agriculture recognized TVMDL's testing capabilities, and recently designated the laboratory a member of the National Animal Health Laboratory Network, made up of laboratories throughout the country coordinating federal and state resources to enable a rapid response to animal disease outbreaks. In addition, TVMDL is one of seven laboratories in the United States that performs federal surveillance testing for bovine spongiform encephalopathy (BSE), or mad cow disease. In fiscal year 2005, TVMDL performed approximately 38,000 tests for BSE.

The current organizational structure of TVMDL provides essential coordination of academic research and disease diagnostics.

- ◆ Through its location on the campus of Texas A&M University, TVMDL enjoys a broad employment pool that helps ensure a high level of technical expertise among its diagnostic staff. For example, 75 percent of TVMDL employees have college degrees, and 32 percent have post graduate degrees. Eighteen employees hold doctorate degrees in veterinary medicine.
- ◆ Maintaining TVMDL at Texas A&M University provides numerous resources related to animal health. TVMDL benefits from its proximity to the School of Veterinary Medicine at Texas A&M University, one of the top five veterinary schools in the nation, sharing a broad range of expertise and technology. For example, TVMDL shares a large incinerator and alkaline bio-digester with the School of Veterinary Medicine to assist in animal carcass disposal.

TVMDL, the designated testing facility for high consequence and foreign animal diseases in the southwestern United States, is the only veterinary laboratory in the region with a biohazard level three laboratory. Several animal health programs at Texas A&M University, such as Poultry Science and Animal Epidemiology, offer applicable research and proficiency to assist TVMDL in animal health emergencies. In fact, TVMDL is currently attempting to build a reserve force of diagnosticians from other Texas A&M University System programs to assist with laboratory testing in the event of a widespread animal disease outbreak.⁴

- ◆ The Texas Animal Health Commission also has a system of laboratories for identifying and confirming specific animal diseases under certain control programs. While consolidating laboratory functions of TVMDL and the Commission could enhance coordination between the two, no problems with the current structure could be identified to justify such action. In addition, differences in approaches of the two agencies could affect the



TVMDL is part of a nationwide network of laboratories to provide a rapid response to animal disease outbreaks.



Maintaining TVMDL at Texas A&M University provides access to numerous animal health resources.

success of any such merger. Because TVMDL mainly performs voluntary diagnostic testing on sick animals, TVMDL's testing program encourages owners to seek diagnoses of animal illnesses voluntarily, without the perceived regulatory nature of programs at the Commission.

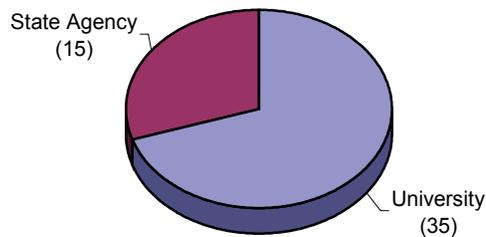
Many other states provide animal diagnostic services through a structure similar to TVMDL.

- ◆ Each of the 50 states has a veterinary diagnostic laboratory that performs functions similar to the Texas Veterinary Medical Diagnostic Laboratory through an affiliation with a state agency or institution of higher education. For example, the California Veterinary Diagnostic Laboratory System is associated with University of California - Davis. As shown in the pie chart, *State Veterinary Diagnostic Laboratory Affiliations*, 35 states, including Texas, have veterinary diagnostic laboratories affiliated with a university.



Thirty-five states have veterinary diagnostic laboratories affiliated with a university.

State Veterinary Diagnostic Laboratory Affiliations



- ◆ While the affiliation with higher education is the most common organizational structure for state veterinary diagnostic laboratories, no clear pattern reflects the testing responsibilities of these laboratories. Some state diagnostic laboratories may conduct all the testing – both voluntary and mandatory – whether housed within higher education or in a state agency. Some state laboratories, especially those affiliated with higher education, may provide only voluntary testing, while a separate laboratory, typically at a regulatory state agency, provides mandatory testing. Some state laboratories fall somewhere between these two concepts, providing voluntary and some mandatory testing, while the regulatory agency performs varying degrees of the mandatory testing. TVMDL, in fact, falls into this last category by providing voluntary testing services, but also testing for pullorum-typhoid in poultry before it may be sold or shipped in Texas.

Recommendation

Change in Statute

1.1 Continue the Texas Veterinary Medical Diagnostic Laboratory for 12 years.

The recommendation would continue the Texas Veterinary Medical Diagnostic Laboratory as an independent agency responsible for providing diagnostic services and disease surveillance.

Fiscal Implication

If the Legislature continues the current functions of TVMDL, the agency's annual appropriation of \$11 million would continue to be required for its operation.

¹ Act of March 1, 1967, 60th Leg., R.S., S.B. 101, secs. 1-3.

² Art. 179e, Vernon's Texas Civil Statutes, Ann.

³ Zoonotic diseases are diseases transmissible from animals to humans. 25 Tex. Admin. Code sec. 97.3(b).

⁴ Memorandum from Dr. Lelve Gayle, Executive Director, Texas Veterinary Medical Diagnostic Laboratory to the Council of Agricultural Administrators, Texas A&M University System, August 3, 2005.

TVMDL's Current Statute Is an Inaccurate Reflection of Its Functions, Resulting in Decreased Accountability to the Legislature and the Public.

Summary

Key Recommendations

- ◆ Clarify TVMDL's current powers and duties in statute.
- ◆ Require the agency to provide notice and opportunity for public comment when developing its fee schedule.
- ◆ TVMDL should work with the Legislative Budget Board to develop a more clearly defined bill pattern in the General Appropriations Act.

Key Findings

- ◆ TVMDL's duties have greatly expanded since its inception.
- ◆ The agency's incomplete statutory framework limits full accountability for its performance.
- ◆ TVMDL's process for adjusting fees is too unstructured to provide for needed public involvement.
- ◆ Most state agencies have comprehensive enabling statutes that define their mission and functions.
- ◆ Reflecting TVMDL's current functions in law would ensure that needed diagnostic testing and surveillance continue.

Conclusion

Since its inception, the Texas Veterinary Medical Diagnostic Laboratory's (TVMDL) main purpose has been to perform testing on animals on a voluntary basis, and as required for the interstate and international shipment of animals. Although TVMDL's role has significantly evolved, the agency lacks statutory direction for its basic mission and most of its functions.

The lack of statutory framework makes it difficult for the Legislature and other oversight authorities to evaluate the agency's functions. Also, TVMDL's funding pattern in the General Appropriations Act does not allow the Legislature to accurately assess the agency's functions and duties. Finally, because TVMDL does not have a formal process for review and approval of changes to its fee schedule, the public is unable to provide input when changes are made to fees. Clear statutory direction would help ensure that TVMDL's current activities continue, and increase accountability for its performance and administration to both the public and the Legislature.

Support

TVMDL's duties have greatly expanded since its inception.

- ◆ The Legislature established the Texas Veterinary Medical Diagnostic Laboratory (TVMDL) in 1967 as a service to livestock owners to detect diseases affecting commerce.¹ TVMDL performs voluntary disease identification on sick animals, and informs regulatory agencies, like the Texas Animal Health Commission, upon diagnosis of certain reportable diseases. The Legislature specifically expanded TVMDL's mission twice, requiring TVMDL to perform parimutuel drug testing for the Texas Racing Commission, and to administer the Pullorum-Typhoid Program, Texas' equivalent to the National Poultry Improvement Plan.²
- ◆ TVMDL currently performs testing for numerous other state and federal agencies. TVMDL performs equine infectious anemia testing for the Texas Animal Health Commission, and assists the Texas Parks and Wildlife Department with a federal monitoring program for chronic wasting disease. In addition, TVMDL serves the Texas Department of Criminal Justice by testing livestock, as well as feed and other agricultural commodities, such as broilers or dairy products. Finally, TVMDL is one of seven state diagnostic laboratories in the United States to perform testing and surveillance for bovine spongiform encephalopathy, commonly known as mad cow disease, for the United States Department of Agriculture (USDA).
- ◆ Many veterinary laboratories lack appropriate technology or diagnostic expertise, and outsource certain types of testing to TVMDL. TVMDL currently performs diagnostic testing for many other states and foreign countries. For example, Arizona, New Mexico, and Oklahoma send all toxicology screenings to TVMDL, and two clinics in Japan send histopathology samples to TVMDL for diagnostic testing. In fiscal year 2005, TVMDL conducted tests on approximately 48,000 cases for out-of-state clients and 300 for international clients.
- ◆ TVMDL receives national recognition for its testing capabilities and expertise. In 2004, the USDA designated TVMDL as part of the National Animal Health Laboratory Network, created by the federal government to enable a rapid response in the event of an animal disease outbreak or agriterrorism attack. With a federal grant, TVMDL built a biosafety level three laboratory and purchased an alkaline biodigester to dispose of animal carcasses. TVMDL also recently received Department of Homeland Security funding from the Office of Disaster Preparedness to purchase a mobile diagnostic laboratory, allowing the agency to perform localized testing in the event of an animal health emergency.
- ◆ TVMDL's diagnostic caseload has significantly changed over time. The Legislature originally created TVMDL to perform one function: diagnostic testing for the livestock and poultry industries to identify disease and facilitate animal shipment. In 1977, the Legislature authorized TVMDL to test



*TVMDL's
diagnostic caseload
has changed over
time to include
more companion
animal testing.*

companion animals, but designated TVMDLs primary focus as testing large animals.³ In 2001, companion animal diagnostic testing overtook livestock cases as the largest component of diagnostic testing and currently, companion animal testing accounts for almost half of TVMDLs caseload.

The agency's incomplete statutory framework limits full accountability for its performance.

- ◆ The lack of a formal enabling act, combined with being an agency of higher education, makes TVMDL difficult to assess by the standards of most state agencies. For example, TVMDL is not required to prepare a strategic plan, and is not subject to regular audit by the State Auditor's Office. Although TVMDL has been audited by the Texas A&M University System as well as the State Auditor's Office within the last 10 years, the audits were not specific to the agency, and included other agencies of the Texas A&M University System.⁴ Due to the lack of oversight and accountability mechanisms, the Legislature, in 2003, made TVMDL subject to Sunset review.⁵ However, without a comprehensive statutory framework, Sunset staff had difficulty fully assessing TVMDLs functions and performance.
- ◆ TVMDLs funding pattern outlined in the General Appropriations Act does not accurately reflect the agency's current functions and duties. While TVMDL plays an increasingly important role in federal testing and surveillance programs, the General Appropriations Act does not include the agency's federal funding as a method of financing.⁶ For example, in 2003, TVMDL received a \$2 million grant from the USDA for its participation in the National Animal Health Laboratory Network. TVMDL spent \$800,000 in federal funds to build a biosafety level three laboratory to address potential animal health epidemics. TVMDL also received \$355,000 from the Office of Disaster Preparedness in fiscal year 2005, and purchased a biosafety level three trailer for portable disease diagnosis as well as an alkaline biodigester for animal carcass disposal. Despite the fact that TVMDL received approximately \$400,000 from the federal government during fiscal year 2005, no federal funding appears in its General Appropriations Act bill pattern.
- ◆ Additionally, TVMDLs performance measures are generally output-based. Except for a measure of the percentage of animals testing drug-free, the agency's bill pattern lists the number of animals tested for drugs, the number of surveillance tests performed for bioterrorism agents, and the number of cases submitted and examined. None of the measures reflects TVMDLs performance in meeting its basic mission of diagnostics and surveillance, such as the number of tests resulting in a reportable finding, the average time to conduct tests and to report findings to the appropriate agency, or the percentage of test results confirmed by follow-up testing. Without tying specific functions to outcomes, the Legislature cannot effectively evaluate an agency's performance.



Lack of oversight led to the agency being subject to Sunset review.

TVMDL's process for adjusting fees is too unstructured to provide for needed public involvement.

- ◆ TVMDL recently received fee authority during the 78th Legislative Session, despite the fact that the agency had been charging fees since its inception.⁷ In fiscal year 2005, TVMDL collected almost \$6.9 million in fees, yet it has no formal process for changing its fee schedule and does not provide adequate opportunity for input from the public or stakeholders. For example, TVMDL may change its fee schedule at any time, without notice. TVMDL's Executive Director annually assesses the agency's fee structure, but does not hold a public meeting during fee review, or contact industry representatives and other stakeholders to seek input before a fee change occurs.
- ◆ State agencies generally, and even other agencies within the Texas A&M University System, have more formalized processes for changing fees than TVMDL. Agencies commonly adopt fees and fee changes in rule. Even the Feed and Fertilizer Control Service, another Texas A&M University System agency, must receive approval from the Board of Regents for changes in its inspection fees.⁸



TVMDL does not involve the public before changing its fee structure.

Most state agencies have comprehensive enabling statutes that define their mission and functions.

- ◆ Statutes give agencies and the public a clear understanding of each agency's mission and how that mission should be carried out. Almost every state agency in Texas has an enabling act, clearly defining its powers and duties, allowing the Legislature and other oversight agencies, such as the Legislative Budget Board, the State Auditor's Office, and the Sunset Advisory Commission, to effectively evaluate the agency's designated functions and resulting performance. In addition, enumerating agency functions in law allows the Legislature to tie funding to specific programs and performance measures. The Legislature may have recognized the need to improve TVMDL's accountability when it clarified the agency's fee authority and placed it under Sunset review during the 78th Legislative Session.⁹
- ◆ With the exception of TVMDL, other agencies within the Texas A&M University System generally have their purpose and functions detailed in statute.¹⁰ The Texas Forest Service, the Texas Agricultural Experiment Station, and the Texas Engineering Experiment Station all have statutory directives regarding their general powers and duties.¹¹ Even smaller entities, such as the Center for Transportation Safety, have statutory language defining the various programs administered by the agency.¹² In addition, the Texas Forest Service statute includes provisions for coordination with other state and federal agencies.¹³ Finally, the Texas Agricultural Experiment Station must prepare and distribute a bulletin showing results of experiments and improvements for agricultural and livestock interests.¹⁴



Other agencies within the Texas A&M System have their purpose and functions detailed in statute.

- ◆ Although the Texas Animal Health Commission's duties are broader than those of TVMDL, the Commission has a clear statutory framework regarding required animal testing and surveillance. For example, the Commission's statute contains general language regarding the obligation of a veterinarian or a veterinary diagnostic laboratory to report certain diseases, and specific language regarding reporting cases of anthrax and tuberculosis.¹⁵ The Commission's statute additionally requires four specific categories of disease reporting, details certain disease surveillance programs, and requirements for various disease-testing processes.¹⁶

Reflecting TVMDL's current functions in law would ensure that needed diagnostic testing and surveillance continue.

- ◆ TVMDL's statute is silent on the agency's overall purpose and responsibilities, and therefore, does not guide TVMDL as to its basic mission. While the Legislature created TVMDL to provide diagnostic testing services to the livestock and poultry industries to encourage responsible husbandry, that intent has never been formally expressed in statute.¹⁷ TVMDL's additional duties beyond livestock and poultry testing could threaten the agency's commitment to its original task. Statutory language could clarify that TVMDL give highest priority to the diagnostic testing of livestock and poultry, despite the agency's increased companion animal and out-of-state testing caseload.
- ◆ The Texas Animal Health Commission statute requires TVMDL to report certain diseases to the Commission within 24 hours of diagnosis and to report identification information regarding location, descriptions, and number of animals within 48 hours. A specific provision in TVMDL's own statute would emphasize the agency's obligation to provide reportable disease information to the Commission, and continue performing informal surveillance by monitoring the trends in test results.
- ◆ As the federal government recognizes TVMDL on a national level for its testing capabilities, coordination with other entities is necessary to formulate an effective response to animal disease outbreaks. TVMDL is currently working with other departments within Texas A&M University to expand its internal testing capabilities in the event of a large-scale animal disease outbreak, and working in conjunction with the Office of the Governor on an emergency response plan. Statutory language could ensure that the agency has formal mechanisms in place to coordinate with other appropriate agencies, and ensure that testing, surveillance, and information-sharing occur as needed in a large-scale animal health emergency.



*TVMDL's
additional duties
could threaten
its commitment
to livestock and
poultry testing.*

Recommendations

Change in Statute

2.1 Clarify TVMDL's current powers and duties in statute.

This recommendation would establish TVMDL's current mission and functions in law to provide a clearer picture to policymakers, budget writers, and the public as to what the agency does, and help tie specific funding decisions to those functions. The statute would lay out TVMDL's responsibilities regarding disease diagnostics, surveillance, and reporting, but would provide enough flexibility for the agency to continue to respond to new diagnostic demands as they arise. Specifically, TVMDL's responsibilities would include:

- ◆ providing laboratory testing to aid in the identification of diseases;
- ◆ providing tests required for intrastate, interstate, or international animal shipments;
- ◆ identifying disease epidemics;
- ◆ generally assisting livestock owners and veterinarians with problems associated with disease identification, diagnosis, and treatment;
- ◆ providing diagnostic services for companion animals and out-of-state clients only when staff, facilities, and supplies are not required for in-state livestock testing;
- ◆ reporting diseases to the Texas Animal Health Commission, Texas Department of State Health Services, and other state or federal agencies as specified in statute or rule;
- ◆ performing other diagnostic services or activities as TVMDL determines necessary to address new and emerging threats; and
- ◆ providing information to veterinarians, animal owners, and the public developed through TVMDL's diagnostic testing efforts, and other news and information the agency deems appropriate.

These provisions reflect TVMDL's existing activities that are not currently detailed in statute. The agency's responsibilities regarding the Pullorum-Typhoid Program and drug testing for pari-mutuel racing, which are located elsewhere in statute, would not be affected by these changes. The changes would not affect the responsibility of other agencies, such as the Texas Animal Health Commission and the Texas Department of State Health Services, to perform testing for diseases under their authority. Finally, the changes would ensure that TVMDL continues to give priority testing to livestock, recognizing its economic importance to the state, as well as its effect on public health.

2.2 Require the agency to provide notice and opportunity for public comment when developing its fee schedule.

Improving the public's ability to participate in TVMDL's fee development process would provide greater accountability for the agency's decisions that affect the public. Specifically, TVMDL would provide 30 days' notice of the proposed fee on its website, as well as in its monthly newsletter. In addition, TVMDL would give all interested persons a reasonable opportunity to submit written comments. Changes to the fee schedule would occur only after appropriate notice was given, and the agency fully considered all public comment received.

Management Action

2.3 TVMDL should work with the Legislative Budget Board to develop a more clearly defined bill pattern in the General Appropriations Act.

Under this recommendation, TVMDL would request that the Legislative Budget Board work with the agency to clarify TVMDL's bill pattern in the General Appropriations Act. Further detail and explanation in TVMDL's bill pattern and additional performance measures beyond output goals would assist the Legislature in accurately assessing and funding TVMDL's duties. TVMDL's federal funding would be appropriately noted, apprising the Legislature of additional funding received to support federal testing and surveillance programs, as well as animal disease emergencies. This change would not affect the agency's ability to receive federal funds, which is already provided for by rider elsewhere in the General Appropriations Act. Performance measures would reflect outcomes related to disease diagnostics and reporting to provide an indication of the speed and accuracy of TVMDL's testing of reportable diseases.

Fiscal Implication

These recommendations would not have a fiscal impact to the State. TVMDL currently performs all the activities recommended for codification in law. Increased public participation in its fee setting process also would not result in a cost to TVMDL.

¹ Act of March 1, 1967, 60th Leg., R.S., S.B. 101, secs. 1-3.

² Article 179e, Vernon's Texas Civil Statutes, Ann.; Texas Agriculture Code, ch. 168.

³ Texas House Bill 510, *General Appropriations Act*, 65th Legislature (1977).

⁴ State Auditor's Office, *A Detailed Review of Management Controls at Texas A&M University System Research and Service Agencies*, report no. 96-065 (Austin, Texas, May 1996).

⁵ Texas House Bill 3459, 78th Legislature (2003).

⁶ TVMDL has received federal funding on an annual basis since 2002; however, the funding is not guaranteed, and the agency has not yet received any federal funds in fiscal year 2006.

⁷ Texas House Bill 3459, 78th Legislature (2003).

⁸ Texas Agriculture Code, sec. 141.071.

⁹ Texas House Bill 3459, 78th Legislature (2003).

¹⁰ Texas Education Code, ch. 88.

¹¹ Texas Education Code, secs. 88.101-120, 88.201-216, 88.500-502.

¹² Texas Education Code, sec. 88.803.

¹³ Texas Education Code, secs. 88.102, 88.105-106.

¹⁴ Texas Education Code, sec. 88.211.

¹⁵ Texas Agriculture Code, secs. 161.101(b), 161.102, 162.004.

¹⁶ Texas Agriculture Code, chs. 161-168.

¹⁷ Act of March 1, 1967, 60th Leg., R.S., S.B. 101, secs. 1-3.

TVMDL Uses State Funds to Subsidize Tests That Do Not Relate to Statewide Public Health or Economic Loss.

Summary

Key Recommendation

- ◆ Require TVMDL to obtain full cost recovery for tests that do not relate to statewide public health or economic loss.

Key Findings

- ◆ TVMDL collects fees for services rendered, and receives General Revenue Funds to cover remaining costs.
- ◆ Not every test performed at TVMDL results in a finding that relates to widespread animal and public health concerns.
- ◆ Unlike most state services that benefit the public as a whole, some of TVMDL's subsidized testing generally benefits individual consumers.
- ◆ Veterinary diagnostic laboratories commonly charge fees to cover the cost of tests that do not provide a broad public benefit.

Conclusion

The Texas Veterinary Medical Diagnostic Laboratory (TVMDL) charges fees for all diagnostic services, but subsidizes the cost of its in-state testing with General Revenue Funds. The Legislature recognizes the virulence of certain diseases, called reportable diseases, that, once detected, must be reported to the appropriate regulatory agency to take action to prevent widespread outbreaks. TVMDL occasionally diagnoses problems that are not specifically classified as reportable diseases, but could also threaten widespread public health or the animal industry. TVMDL reports these problems to regulatory agencies, and notifies practicing veterinarians to be aware of potential outbreaks. However, a significant portion of tests performed by TVMDL do not provide a broad public benefit, but instead supply a useful service to individual animal owners.

While TVMDL's diagnostic testing services provide an important function, the Legislature generally does not use State funds to subsidize services that do not benefit the public as a whole. Requiring TVMDL to recover the full cost of testing for diseases that does not aid in protecting public health or preventing economic loss would ensure that State funding is directed to testing programs that benefit the public as a whole.

Support

TVMDL collects fees for services rendered, and receives General Revenue Funds to cover remaining costs.

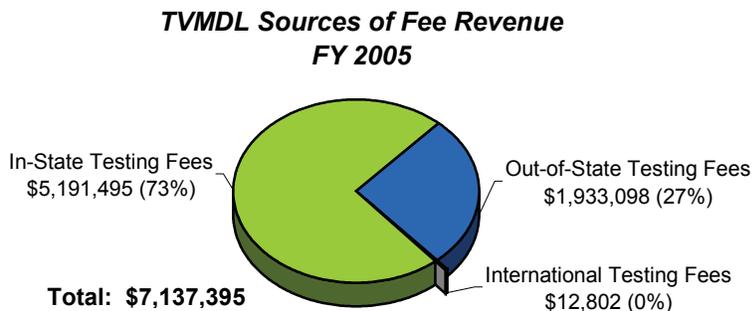
- ◆ The Texas Veterinary Medical Diagnostic Laboratory (TVMDL) has two primary sources of funding: fees for services rendered and General Revenue. In fiscal year 2005, TVMDL collected approximately \$7.1 million in fees, comprising 58 percent of the agency's total budget. TVMDL annually amends the fee schedule to reflect changes in the cost of performing certain tests. As discussed in Issue 2, however, TVMDL adjusts fees through a largely undocumented internal process, without providing notice or soliciting public comment from stakeholders.
- ◆ During the annual fee review, TVMDL's Executive Director requests that the resident directors of the poultry labs and the head of each diagnostic section review fees charged by each division. The agency administrators then report the actual cost of tests based on expendable supplies, estimated labor, and the difficulty of performing a test. Based on this information, TVMDL's Executive Director adjusts fee levels using General Revenue Funds to subsidize most testing costs. TVMDL maintains two fee schedules, one for in-state clients, and one for clients outside the state of Texas. Only in-state testing is subsidized using General Revenue Funds.



In fiscal year 2005, TVMDL used \$4.7 million in General Revenue to subsidize fees.

In fiscal year 2005, TVMDL received approximately \$4.7 million in General Revenue Funds to subsidize diagnostic testing services.¹ The most frequently performed tests often receive less subsidy because a small fee increase in this area yields a large amount of fee revenue. Finally, companion animal tests generally receive less subsidy than food and fiber animals, because companion animal owners exhibit a higher willingness to pay than livestock owners.

- ◆ For out-of-state and international clients, TVMDL charges a higher fee that covers the full cost of testing. Of the \$7.1 million in fees collected in fiscal year 2005, TVMDL received 27 percent from out-of-state and international clients, as shown in the pie chart, *TVMDL Sources of Fee Revenue*.



- ◆ Two types of testing do not receive a General Revenue subsidy. TVMDL performs drug screening on animals participating in pari-mutuel races via a memorandum of understanding with the Texas Racing Commission,

and bills individual racetracks for the full cost of each test. TVMDL also performs bovine spongiform encephalopathy, or mad cow disease, testing and surveillance for the United States Department of Agriculture (USDA). The USDA pays TVMDL \$12 per test, and furnishes all necessary laboratory supplies.²

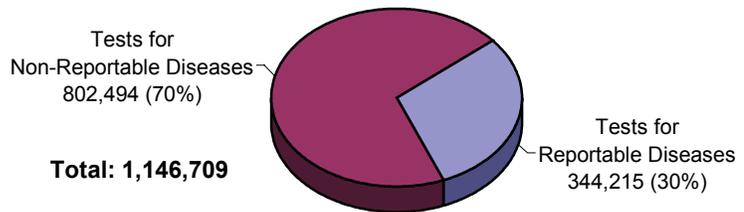
Not every test performed at TVMDL results in a finding that relates to widespread animal and public health concerns.

- ◆ The Legislature dictates reporting of certain animal diseases just as it does for human diseases. To be included on the list of reportable diseases, a disease must have the potential to cause widespread economic loss to the livestock or poultry industries or threaten public health. A list of all reportable diseases can be found in Appendix C. TVMDL is required by law to notify the Texas Animal Health Commission of most reportable animal disease findings.³


Many of TVMDL's tests only provide information that benefits the individual animal owner.

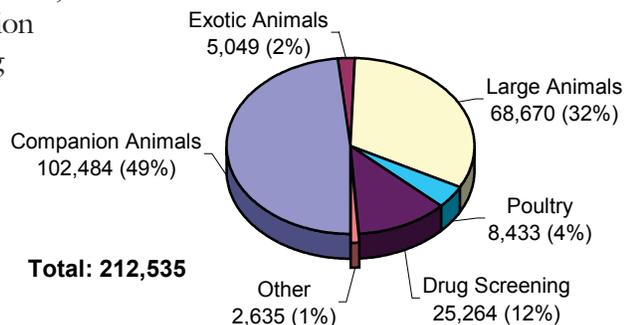
TVMDL must also report instances of certain zoonotic diseases that are transmissible from animals to humans, such as rabies or anthrax, to the Texas Department of State Health Services.⁴ Of the approximately 650 tests offered by TVMDL, only 35 relate to reportable diseases, but these tests account for 30 percent of the testing performed by TVMDL, as shown in the pie chart, *Types of TVMDL Testing*. While some of the tests offered by TVMDL do provide valuable information that aids in protecting public health and guards the livestock and poultry industries from widespread economic loss, many of the tests performed only provide information that benefits the individual animal owner.

**Types of TVMDL Testing
FY 2005**



- ◆ TVMDL processes a growing number of companion animal samples in comparison to the number of livestock samples, as seen in the pie chart, *TVMDL Caseload*. Of the 212,535 cases received during fiscal year 2005, almost half were companion animal samples. Other than rabies, which TVMDL sends to the Texas Department of State Health Services, TVMDL only provides two tests for companion animals that result in a reportable finding – plague and chlamydia – which comprise a very small percentage of TVMDL's companion animal testing. Therefore, the large majority of companion animal tests do not aid in protecting public health.

**TVMDL Caseload
FY 2005**





*General Revenue
is rarely used to
subsidize services
that do not
benefit the state
as a whole.*

- ◆ Similar to some types of companion animal testing, many of the services and tests performed at TVMDL result in findings that offer guidance in caretaking, but do not provide information that helps to protect animals or the public from communicable diseases.

For example, Sunset staff observed a rancher bring a calf to TVMDL for disease diagnosis. The rancher owned an intermediate farm that prepares calves for market. In the past year, a number of calves had become ill, and subsequently died. During the initial stage of testing, a TVMDL veterinarian discovered that the calf was suffering from acidosis – not a disease, but a condition caused by high acidity from too much corn in the feed. TVMDL performed a full necropsy on the calf as well as a complete diagnostic work-up. Although the lab’s findings indicated a non-virulent disease, and the findings were not reported to a regulatory agency, TVMDL provided each of the services to the rancher at a subsidized rate.

Unlike most state services which benefit the public as a whole, some of TVMDL’s subsidized testing generally benefits individual consumers.

- ◆ The State generally pays for or heavily subsidizes services that benefit a large segment of the population or the public as a whole. The principle behind this practice is that everyone derives some benefit from these services, so everyone should help pay for them. Traditionally, this rationale has justified the use of General Revenue Funds for such purposes as public education, public health, and public safety. However, when individuals or specific classes of individuals benefit from services, they are usually required to cover the costs of those services, typically by paying user fees for the specific benefit they receive.
- ◆ The Legislature recognized the broad public benefit from controlling certain diseases by classifying them as reportable, and requiring entities to notify the appropriate regulatory agency for control activities. TVMDL occasionally makes diagnoses that are not technically classified as reportable, but could potentially threaten public health or result in economic loss. For example, if animals ingest a substance known to be harmful to humans, TVMDL notifies the appropriate authorities to ensure that the products from these animals do not enter the food supply. In these cases, TVMDL staff report the findings to a regulatory agency, or inform practicing veterinarians of the threat through the monthly TVMDL newsletter.

Due to both public and economic risk, TVMDL subsidizes all reportable disease testing, such as chronic wasting disease or anthrax, to encourage animal owners to seek testing for diseases that can threaten public health or cause great economic loss. However, many tests performed by TVMDL do not result in findings that assist in protecting public health or preventing widespread economic loss.

Subsidizing screenings such as simple blood tests, for example, do not serve a broad public benefit, instead helping individual animal owners better understand and address the specific ailments of their animals. In these cases, animal owners derive personal benefit from testing services in a way that the State has traditionally required full cost recovery through user fees.

Veterinary diagnostic laboratories commonly charge fees to cover the cost of tests that do not provide a broad public benefit.

- ◆ Accredited veterinary diagnostic laboratories in the United States generally do not subsidize tests performed on companion animals, or tests that do not benefit public health. Of the ten most populous states, only Texas' veterinary diagnostic laboratory subsidizes the cost of testing companion animals. Some laboratories, like the California Animal Health and Food Safety Lab System, do not accept companion animal samples.⁵ Other states, like Colorado, have veterinary laboratories that charge fees for companion animal testing that return a profit to the lab, and in turn subsidizes other departments.⁶
- ◆ The majority of state veterinary diagnostic laboratories charge out-of-state and international clients fees reflecting the full cost of the test performed. For example, TVMDL assesses all out-of-state and international clients a full cost recovery fee because these test results do not benefit Texas. Despite charging a fee higher than the in-state amount, TVMDL collects more than one quarter of its fee revenue from out-of-state and international clients.

Recommendation

Change in Statute

3.1 Require TVMDL to obtain full cost recovery for tests that do not relate to statewide public health or economic loss.

This recommendation would require TVMDL to develop a fee structure that recovers the full cost of tests that do not result in findings that protect statewide public health, or prevent widespread economic loss to the livestock and poultry industries. While the Legislature has designated certain diseases that require reporting to the appropriate regulatory entity, TVMDL occasionally diagnoses other problems that could potentially threaten public health or the animal industry. The reportable diseases developed by the Legislature, referenced in Appendix C, would continue to receive a state subsidy, as well as any other diagnoses for which the agency contacts a regulatory entity for corrective action. The Executive Director would retain the flexibility to change the fee schedule when new reportable diseases arise, or previously identified diseases no longer threaten public health or economic loss.

Full cost recovery would be determined by evaluating testing supplies, labor, difficulty, and time required to perform the test. As a guide, TVMDL should use the fee schedule for out-of-state clients, which currently reflects the full cost of testing. The new fee amounts would be introduced over a two-year period, giving the TVMDL ample time to establish an appropriate fee schedule. Tests for reportable diseases and other diseases that aid in protecting statewide public health or preventing economic loss would continue to be subsidized by General Revenue Funds. This subsidy would

encourage veterinarians and animal owners to continue to send samples to TVMDL if they have concerns that an animal is infected with a disease that threatens public health or the animal industry.

Fiscal Implication

This recommendation would have a positive fiscal impact to the State. Because out-of-state fees reflect the full cost of performing a diagnostic test, the difference between in-state and out-of-state fees for each test reflects the amount each test is subsidized by General Revenue Funds. Taking that subsidy rate and applying it to tests for diseases that are not reported would result in a possible revenue gain of \$500,000. Phasing this provision in over two years would allow the Legislature to gradually offset TVMDL's appropriation, resulting in a possible \$250,000 savings to the General Revenue Fund in fiscal year 2008. A full savings of up to \$500,000 could be realized in fiscal year 2009 and could continue each year thereafter.

¹ House Bill 1, General Appropriations Act, 78th Legislature (2003).

² U.S. Department of Agriculture, *Contract Number 53-6395-5-C015 for BSE Testing - TX*. (Washington, D.C., December 2004), p. 3.

³ Texas Agriculture Code, sec. 161.101.

⁴ Texas Health and Safety Code, secs. 81.008, 81.042.

⁵ California Animal Health and Food Safety Laboratory System, <http://cahfs.ucdavis.edu/index.php>. Accessed: December 5, 2005.

⁶ Telephone interview with Colorado State University College of Veterinary Medicine and Biomedical Sciences, Veterinary Diagnostic Laboratory staff (Fort Collins, Colorado, December 6, 2005).

ACROSS-THE-BOARD RECOMMENDATIONS



Texas Veterinary Medical Diagnostic Laboratory

Recommendations	Across-the-Board Provisions
Not Applicable	1. Require public membership on the agency’s policymaking body.
Modify	2. Require provisions relating to conflicts of interest.
Not Applicable	3. Require unbiased appointments to the agency’s policymaking body.
Not Applicable	4. Provide that the Governor designate the presiding officer of the policymaking body.
Not Applicable	5. Specify grounds for removal of a member of the policymaking body.
Not Applicable	6. Require training for members of the policymaking body.
Not Applicable	7. Require separation of policymaking and agency staff functions.
Not Applicable	8. Provide for public testimony at meetings of the policymaking body.
Apply	9. Require information to be maintained on complaints.
Apply	10. Require the agency to use technology to increase public access.
Apply	11. Develop and use appropriate alternative rulemaking and dispute resolution procedures.

Agency Information

Agency Information

Agency at a Glance

The Texas Veterinary Medical Diagnostic Laboratory (TVMDL) performs diagnostic testing to identify animal diseases so that the appropriate state or federal regulatory agency may act to avert potential epidemics. The Legislature created TVMDL in 1967 to provide laboratory services that aid in the identification of diseases; perform tests required for shipments of animals; and identify potential epidemics through disease surveillance. TVMDL's current mission is to aid and educate the animal industries of Texas in identifying and preventing animal diseases, nutritional deficiencies, and intoxications so as to make productive use of the state's natural resources. Through its diagnostic testing, TVMDL helps provide tests for national and international shipment of animals and their products, and helps protect public health by identifying those diseases transmissible from animals to humans. In addition, the agency's mission is to facilitate the economic growth of the state by providing the necessary drug and residue tests for the pari-mutuel racing industry.

To accomplish its mission, the Texas Veterinary Medical Diagnostic Laboratory:

- ◆ provides diagnostic testing services and disease surveillance;
- ◆ conducts sampling and testing under the Texas Pullorum-Typhoid Program; and
- ◆ performs drug testing of horses and greyhounds participating in pari-mutuel races.



TVMDL performs diagnostic testing to identify and help prevent animal diseases.

Key Facts

- ◆ **Funding.** In fiscal year 2005, TVMDL operated on a \$12.2 million budget. It received approximately \$4.7 million from the General Revenue Fund, \$7.1 million in fee revenue from sales of diagnostic services, and about \$400,000 in federal funds. TVMDL's budget for fiscal year 2006 is \$11 million.
- ◆ **Staffing.** The Texas Veterinary Medical Diagnostic Laboratory has 155 employees. A total of 108 employees work in the central laboratory, located in College Station. The remaining 47 employees work in satellite laboratories located in Amarillo, Center, and Gonzales.
- ◆ **Diagnostic Testing and Surveillance.** TVMDL diagnoses animal diseases from specimens submitted by animal owners or veterinarians, and performs surveillance of disease trends in the state. In 2005, the agency performed more than one million diagnostic tests. TVMDL also performs disease surveillance by tracking diagnostic results to provide critical data to notify veterinarians and animal owners of emerging animal disease trends.

- ◆ **Texas Pullorum-Typhoid Program.** TVMDL administers the Texas Pullorum-Typhoid Program by monitoring flocks to eliminate pullorum-typhoid in Texas poultry. In the past five years, TVMDL tested approximately 10,000 flocks and 400,000 individual birds.
- ◆ **Pari-mutuel Drug Testing.** In accordance with the Texas Racing Act, TVMDL provides pari-mutuel drug testing for the Texas Racing Commission, performing tests for prohibited substances on approximately 20,000 greyhound samples and 8,000 horse samples each year.

Major Events in Agency History

- 1967 The Legislature creates the Texas Veterinary Medical Diagnostic Laboratory to identify and test animal diseases and to prevent potential epidemics.
- 1975 TVMDL opens an additional full-service diagnostic laboratory in Amarillo.
- 1989 The Texas Racing Act designates TVMDL the primary agency responsible for drug testing of greyhounds and horses participating in pari-mutuel races.
- 1991 The Legislature transfers responsibilities for poultry diagnostic testing, mandated by the Pullorum-Typhoid Act, from the Texas Agricultural Experiment Station to TVMDL, also transferring two poultry diagnostic laboratories located in Center and Gonzales.
- 2002 The United States Department of Agriculture (USDA) designates TVMDL as one of five state diagnostic laboratories comprising the National Animal Health Laboratory Network to expand the federal government's response in emergencies.
- 2003 The 78th Legislature places TVMDL under Sunset review.
- 2004 TVMDL begins USDA surveillance testing for bovine spongiform encephalopathy (mad cow disease).



*TVMDL is
overseen by the
Texas A&M
University System
Board of Regents.*

Organization

Policy Body

The Texas A&M University System Board of Regents oversees the Texas Veterinary Medical Diagnostic Laboratory. The Governor, with the consent of the Senate, appoints members of the Board to six-year staggered terms. Once appointed, the Board designates its own Chair and Vice Chair. The table on page 27, *Texas A&M University System Board of Regents*, identifies current Board members. The nine-member Board of Regents sets system-wide policies and hires the agency's Executive Director. The Board of Regents met six times in fiscal year 2004 and six times in fiscal year 2005. The Executive Director attends Board meetings and annually provides an agency review, discussing any changes to the agency's programs. Additionally,

TVMDL maintains a direct connection to the Board of Regents through monthly meetings with the Texas A&M University Vice Chancellor and Dean of Agriculture.

Texas A&M University System Board of Regents

Member	City	Term Expires
John D. White, Chairman	The Woodlands	2009
Bill Jones, Vice Chairman	Austin	2009
Phil Adams	Bryan	2007
Ida Clement Steen	San Antonio	2011
Lupe Fraga	Houston	2011
Wendy Gramm, Ph.D.	Helotes	2007
Lowry Mays	San Antonio	2007
Erle Nye	Dallas	2009
Gene Stallings	Powderly	2011

Staff

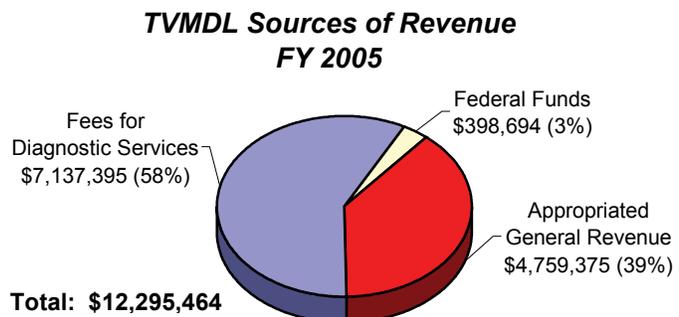
TVMDL employs 155 staff, located in four laboratories throughout the state, with 108 in the main diagnostic laboratory in College Station and the remainder in satellite laboratories located in Amarillo, Gonzales, and Center. The *Texas Veterinary Medical Diagnostic Laboratory Organizational Chart* on page 28 depicts the organization of TVMDL staff.

Appendix A compares the agency’s workforce composition to the minority civilian labor force. Generally, the agency falls below the civilian workforce standards. The agency has had some difficulty meeting the statewide civilian labor force percentage for African-Americans and Hispanics in some categories.

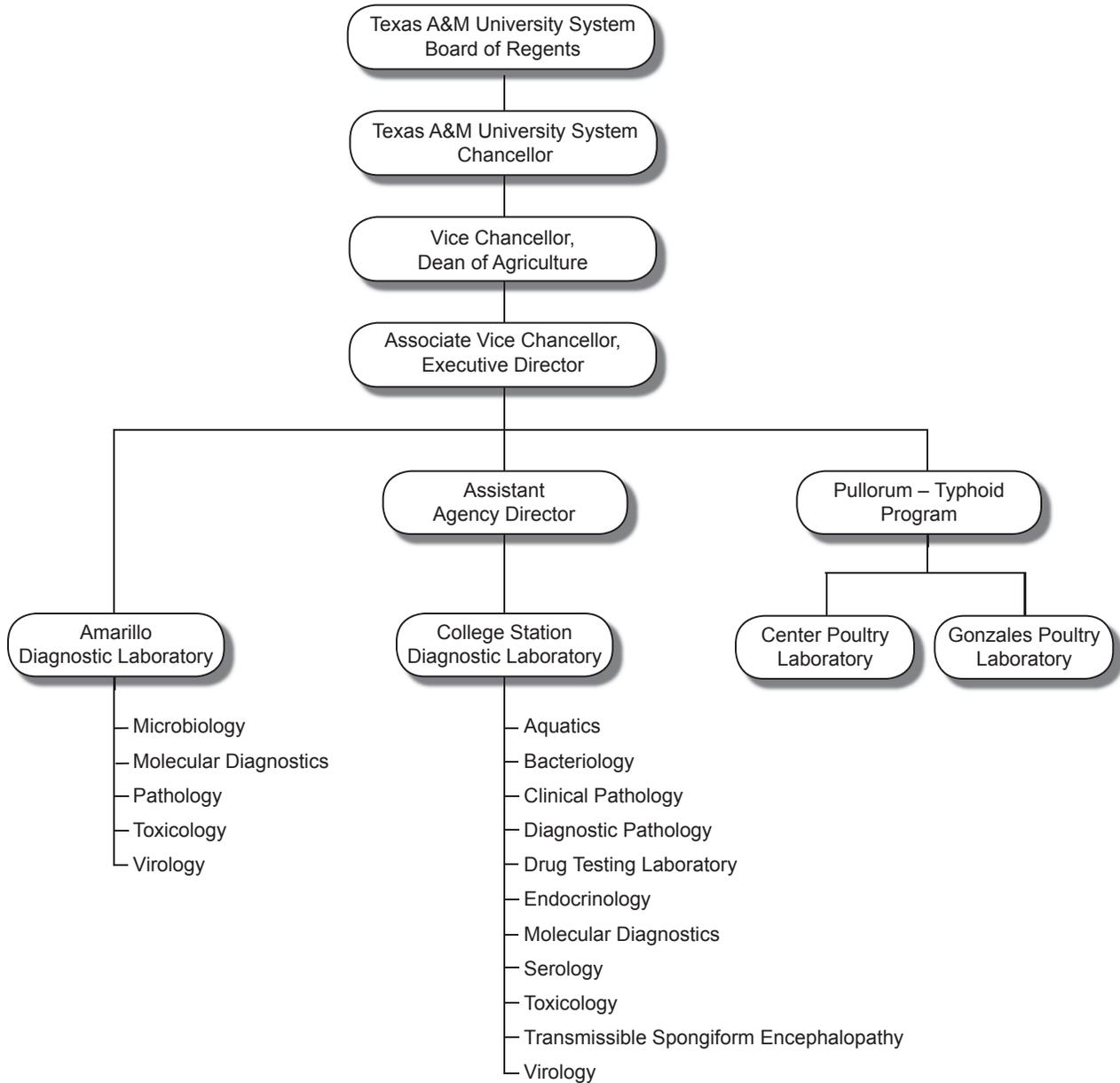
Funding

Revenues

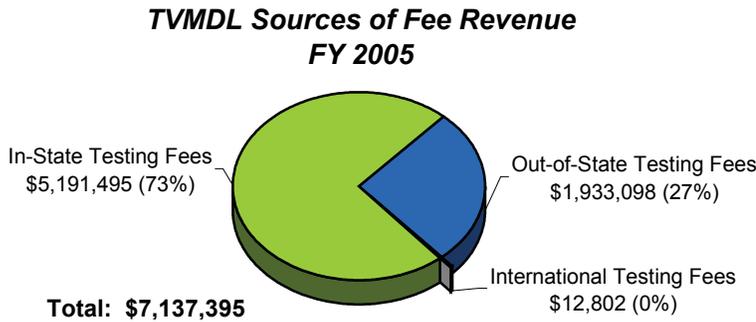
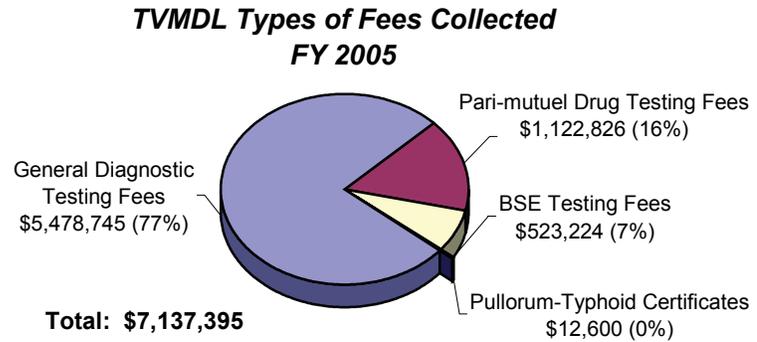
Texas Veterinary Medical Diagnostic Laboratory received more than \$12 million in funding for fiscal year 2005, as shown in the pie chart, *TVMDL Sources of Revenue*. In fiscal year 2005, TVMDL received \$4.7 million in General Revenue, and generated \$7.1 million through various fees. TVMDL also received approximately \$400,000 in federal funding for fiscal year 2005 to support its role in the National Animal Health Laboratory Network, and to assist with personnel and equipment related to emergency response.



Texas Veterinary Medical Diagnostic Laboratory Organizational Chart



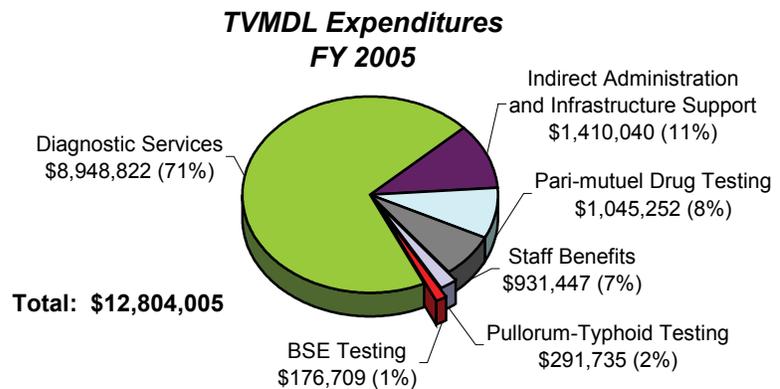
TVMDL mainly charges individuals fees for diagnostic testing services, but also performs testing for other state agencies through memoranda of understanding and collects fees for Pullorum-Typhoid Clean designation certificates. The pie chart, *TVMDL Types of Fees Collected*, details the various fee-collecting programs within TVMDL. The BSE testing fees are paid through a cooperative arrangement with the U.S. Department of Agriculture for surveillance testing for mad cow disease. Finally, the pie chart, *TVMDL Sources of Fee Revenue*, specifies from where TVMDL receives its diagnostic testing fees, indicating that more than one quarter of its fee revenue comes from out-of-state testing.



Expenditures

In fiscal year 2005, TVMDL spent \$12.8 million. The pie chart, *TVMDL Expenditures*, depicts the agency's primary expenditures. The largest single expenditure, diagnostic services, used almost \$9 million to perform nearly one million diagnostic tests in fiscal year 2005.

Appendix B describes the agency's use of Historically Underutilized Businesses (HUBs) in purchasing goods and services for fiscal years 2002 to 2005. TVMDL uses HUBs in building construction and commodities categories, but generally falls behind the statewide goals in special trade, professional services, and other services categories.



Agency Operations

To help ensure the health of animals and safety of citizens of the State of Texas, the Texas Veterinary Medical Diagnostic Laboratory provides complete disease diagnostic services to animal owners, veterinarians, and members of the livestock industry. TVMDL performs three main functions: diagnostic testing services, administration of the Texas Pullorum-Typhoid Program, and drug testing of animals participating in pari-mutuel races.

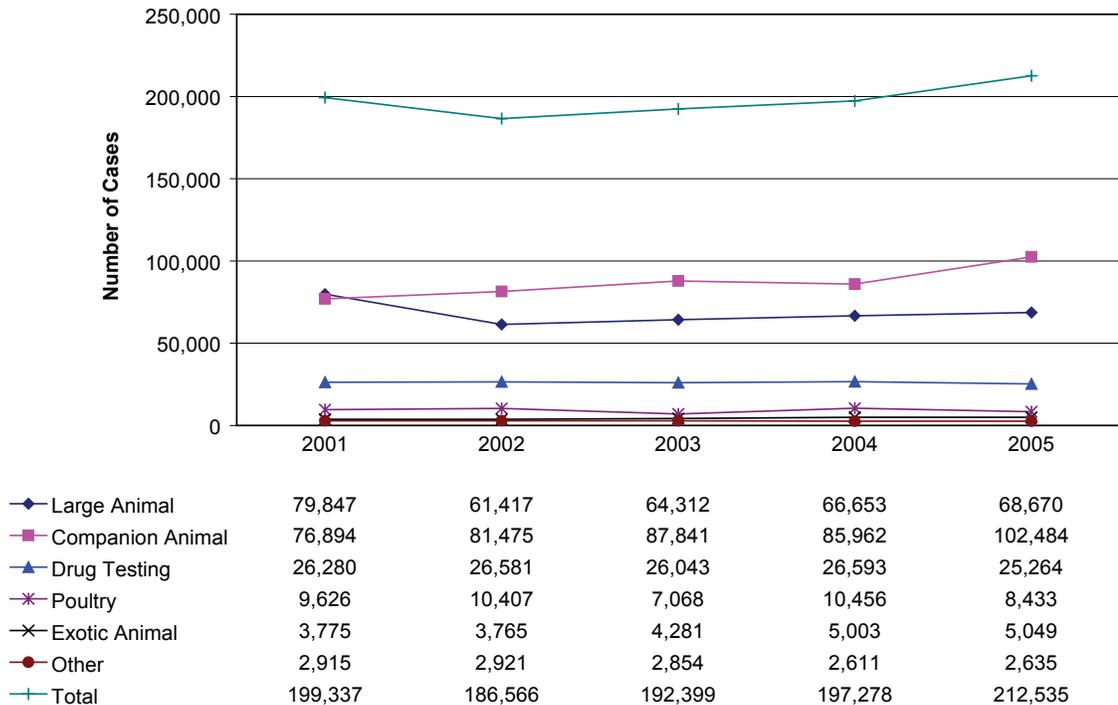


All four TVMDL laboratories perform diagnostic testing, but two laboratories specialize in diseases affecting poultry.

Diagnostic Testing Services

The Texas Veterinary Medical Diagnostic Laboratory primarily provides clinical disease diagnosis, allowing for quick and appropriate treatment by animal owners and fast action by state and federal regulatory agencies to contain and control disease outbreaks. TVMDL analyzes samples for endemic and foreign diseases and performs toxin screens. Veterinarians in private practice often lack the necessary equipment or expertise to run a full range of tests, so they send tissue or blood samples to TVMDL for diagnostic testing. All four laboratories in the TVMDL network perform diagnostic testing, but the laboratories in Center and Gonzales specialize in diseases affecting poultry. The chart, *TVMDL Five-Year Caseload*, details the agency's growing role in veterinary diagnoses. As shown in the chart, TVMDL's growth in caseload is almost completely attributable to testing of companion animals, which replaced large animal testing as the largest source of testing.

TVMDL Five-Year Caseload



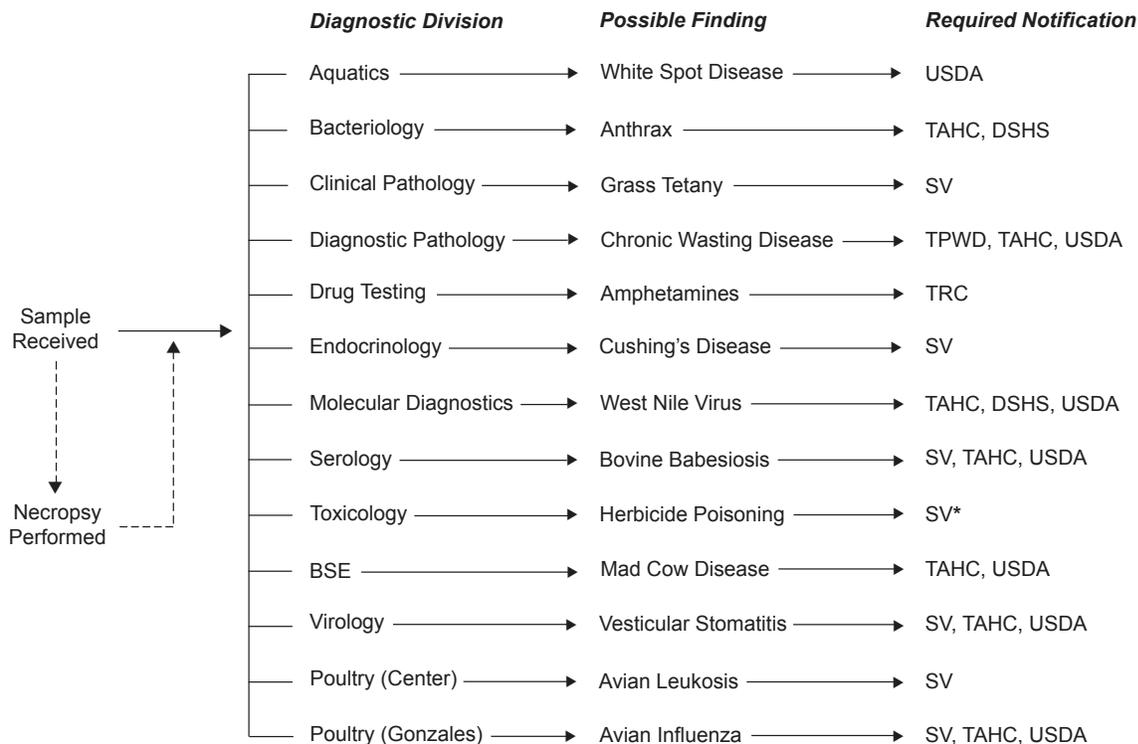
Veterinarians ship blood and tissue samples to TVMDL, but sometimes the entire animal is delivered for a necropsy. The veterinarian-in-charge initially assesses all samples received and performs all necropsies. The veterinarian-in-charge often contacts the animal owner or local veterinarian to discuss the animal's full medical history, symptoms, and methods of prior treatment. After compiling the information, the veterinarian-in-charge determines which tests should be performed and which divisions will receive the sample. Nine diagnostic divisions comprise the main laboratory in College Station. To facilitate coordination and reduce identification time, TVMDL tests samples in several diagnostic divisions at the same time. The chart, *TVMDL Diagnostic Testing by Division*, indicates the number of tests processed by each of the nine divisions during fiscal year 2005.

**TVMDL Diagnostic Testing
by Division
FY 2005**

Aquatics	1,700
Bacteriology	56,458
Clinical Pathology	46,983
Diagnostic Pathology	88,686
Endocrinology	37,496
Serology	216,677
Toxicology	16,952
Transmissible Spongiform Encephalopathy	46,390
Virology	51,218
Poultry Lab (Center)	212,238
Poultry Lab (Gonzales)	151,103
Total	925,874

Once the samples are processed, laboratory personnel enter results into a laboratory database, accessible to each division. Simultaneous testing allows TVMDL to obtain results and notify clients quickly. The chart, *TVMDL Testing Outcomes*, shows a sample diagnosis for each division and where TVMDL would report a positive finding.

TVMDL Testing Outcomes



* TPWD and the United States Department of Wildlife and Fisheries are notified if the animal is an endangered species.

SV – Submitting Veterinarian

TAHC – Texas Animal Health Commission

DSHS – Texas Department of State Health Services

TPWD – Texas Parks and Wildlife Department

TRC – Texas Racing Commission

USDA – United States Department of Agriculture

The samples submitted for diagnostic testing provide critical data to notify veterinarians of emerging disease trends. TVMDL maintains a database of all diagnostic test results, and sends the Texas Animal Health Commission information regarding all reportable diseases. In addition, the Commission is responsible for specified program disease testing, as shown in the textbox, *Texas Animal Health Commission Testing Responsibilities*. Once a reportable disease is identified, the Commission is also responsible for taking appropriate regulatory action to control spread of the disease, usually through quarantine or depopulation.

**Texas Animal Health Commission
Testing Responsibilities**

Brucellosis
Parasites (Ticks)
Pseudorabies
Tuberculosis

Testing for Animal Shipments. TVMDL also performs diagnostic tests required for intrastate, interstate, and international exchange of animals or animal products, such as eggs. Most states and foreign countries require a health certificate before approving importation of certain animals. Similarly, many buyers within the Texas livestock market require health certificates before completing a sale. To obtain a certificate of health, veterinarians send blood and tissue samples to TVMDL for specific tests required by the purchaser or receiving jurisdiction. TVMDL returns the test results to the veterinarian, and the veterinarian completes a certificate of health for the animal or herd.

Testing animals facilitates interstate commerce, and TVMDL can monitor potential outbreaks of diseases that have yet to necessitate a state or federal testing program. For example, through an agreement with the Texas Animal Health Commission, TVMDL is responsible for testing all horses exported from Texas for equine infectious anemia (EIA). Though no state or federal testing program exists for EIA, virtually all states require an EIA test before accepting an out-of-state horse. EIA is a reportable disease, so TVMDL sends positive results to the Texas Animal Health Commission, which initiates quarantine and other regulatory measures. By tracking positive EIA results, TVMDL performs informal surveillance of the disease within the state.



*By tracking
diagnostic
results, TVMDL
performs informal
surveillance of
diseases within
the state.*

Surveillance Testing for State/Federal Programs. In 2004, TVMDL was one of seven diagnostic laboratories chosen by the United States Department of Agriculture to perform surveillance testing for bovine spongiform encephalopathy (BSE), commonly known as mad cow disease.¹ In fiscal year 2005, TVMDL received \$523,224 in federal funds to support BSE surveillance and performed more than 38,000 BSE tests. TVMDL tests for various types of transmissible spongiform encephalopathy in conjunction with two state and federal programs. TVMDL tests for scrapie in sheep as part of a federal eradication program developed by the USDA, and assists the Texas Parks and Wildlife Department with statewide surveillance by performing chronic wasting disease testing in Texas deer and elk. In fiscal year 2005, TVMDL performed more than 3,000 tests for scrapie and chronic wasting disease.

TVMDL also assists the federal government in diagnosing foreign animal and high consequence diseases, such as foot-and-mouth disease. In 2004, TVMDL was asked to join a five-member national network of animal

diagnostic laboratories called the National Animal Health Laboratory Network.² The National Animal Health Laboratory Network guards against potentially devastating diseases that could be brought into the country naturally or through an act of bioterrorism. TVMDL is the federal government's main testing facility for the southwest region of the United States for any foreign animal or high consequence disease outbreaks. In 2004, TVMDL received a \$2 million grant from the USDA, and built a biosafety level three laboratory, capable of addressing large scale, infectious outbreaks such as mad cow, foot-and-mouth, avian influenza and other deadly animal diseases.

Pullorum-Typhoid Program

Congress created the National Poultry Improvement Plan (NPIP) in 1971 to evaluate poultry and poultry products for certain diseases, particularly different strains of salmonella.³ States could choose to adopt NPIP in its entirety or create an equivalent program at the state level. Texas created a Pullorum-Typhoid Program in 1981.⁴ Originally administered by the Texas Agricultural Experiment Station, the Legislature transferred the program responsibilities to TVMDL in 1991. Under NPIP guidelines, TVMDL tests flocks for pullorum disease and fowl typhoid every 12 months. Four field inspectors visit commercial poultry operations and backyard flocks throughout the state to perform plate tests on-site. Inspectors send positive field tests to the poultry laboratories in Center and Gonzales for confirmation. If TVMDL confirms the existence of pullorum-typhoid, TVMDL contacts the Texas Animal Health Commission to begin quarantine procedures.

Unlike other diagnostic tests, TVMDL is statutorily prohibited from charging a fee for pullorum-typhoid testing.⁵ The Pullorum-Typhoid Program receives approximately \$290,000 in General Revenue, accounting for approximately 6 percent of the agency's General Revenue. Owners of Pullorum-Typhoid clean flocks may purchase certificates which facilitate poultry sales and shipment. These \$25 voluntary certificates raised about \$12,600 in fiscal year 2005. The table, *TVMDL Pullorum-Typhoid Testing*, shows the number of birds and flocks tested, as well as the percentage of flocks that test positive. On average, less than 0.5 percent of the flocks tested annually test positive.

States that comply with certain NPIP testing requirements for pullorum-typhoid will receive a designation as a Pullorum-Typhoid Clean State. Many states and foreign countries refuse to import poultry from states lacking a Pullorum-Typhoid Clean designation, creating a severe economic effect on states with a large poultry industry. Though NPIP testing is not mandatory, commercial poultry operations participate in the Texas Pullorum-Typhoid Program to maintain the designation and encourage the importation of Texas poultry.



TVMDL is one of the federal government's main testing facilities for foreign animal or high consequence disease outbreaks.

TVMDL Pullorum-Typhoid Testing

Year	Number of Flocks Tested	Number of Birds Tested	Percent of Flocks Infected
2004	1,772	71,221	0.42
2003	1,961	77,898	0.38
2002	1,995	83,899	0.00
2001	1,968	77,898	0.25
2000	1,960	95,682	0.21

Pari-mutuel Drug Testing

The Texas Racing Act requires participants of pari-mutuel races to submit urine samples to TVMDL to be screened for prohibited substances.⁶ TVMDL has a memorandum of understanding with the Texas Racing Commission (TRC) that sets forth fee amounts and the number of tests to be performed annually. TRC determines drug classifications, based on published international guidelines, and dictates which classes of substances TVMDL will screen.⁷ Racetrack veterinarians or TRC employees collect samples from the racing animals and submit them directly to TVMDL. The table, *TVMDL Drug Testing*, lists the types of prohibited substances screened. TVMDL reports the results to the Texas Racing Commission, which then takes appropriate regulatory action. TVMDL screens approximately 20,000 greyhound samples and 8,000 horse samples per year. In fiscal year 2004, about 4 percent of animals tested positive for prohibited substances.

TVMDL Drug Testing

Drug Classification	Horse Example	Greyhound Example
Class 1	Amphetamines	Amphetamines
Class 2	Anti-psychotics	Anti-psychotics
Class 3	Steroids	Ephedrine
Class 4	Non-steroidal Anti-inflammatory Drugs (NSAIDS)	Steroids
Class 5	Anti-allergy Medications	Ibuprofen
Class 6	Not Applicable*	Sulfa Drugs

* Horses only have five classifications of prohibited substances. 16 Tex. Admin. Code, ch. 319 (2001).

¹ The seven BSE testing laboratories approved by USDA include: California Animal Health and Food Safety Laboratory System at University of California-Davis; Colorado State University Veterinary Diagnostic Laboratory; Texas Veterinary Medical Diagnostic Laboratory in College Station; Wisconsin Animal Health Laboratory in Madison; Washington State University Animal Disease Diagnostic Laboratory; Athens Diagnostic Laboratory at University of Georgia College of Veterinary Medicine; and Veterinary Diagnostic Laboratory at Cornell University New York State College of Veterinary Medicine.

² The five states with labs in the National Animal Health Laboratory Network are California, Colorado, Georgia, Texas, and Wisconsin.

³ 9 C.F.R. 145.

⁴ Texas Agriculture Code, ch. 168.

⁵ Texas Agriculture Code, ch. 168.007.

⁶ Art. 179e, Vernon's Texas Civil Statutes, Ann.

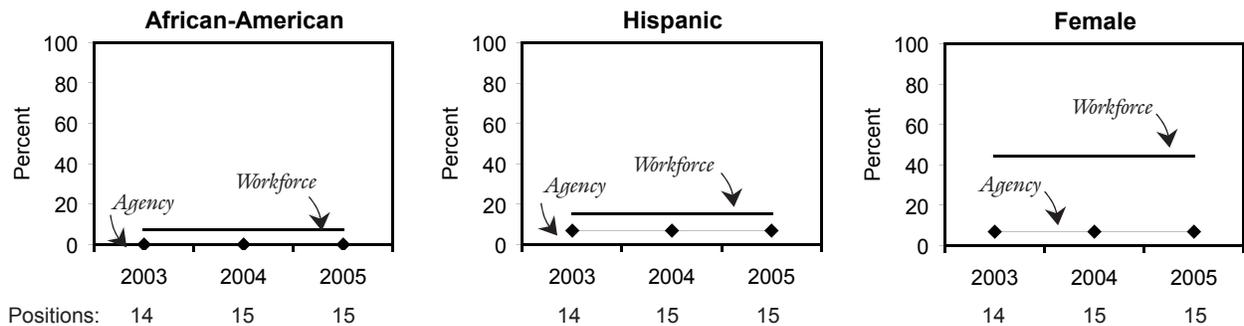
⁷ Association of Racing Commissioners' International, *Uniform Classification Guidelines for Foreign Substances* (Lexington, Ky., April 2005).

APPENDICES

Equal Employment Opportunity Statistics 2003 to 2005

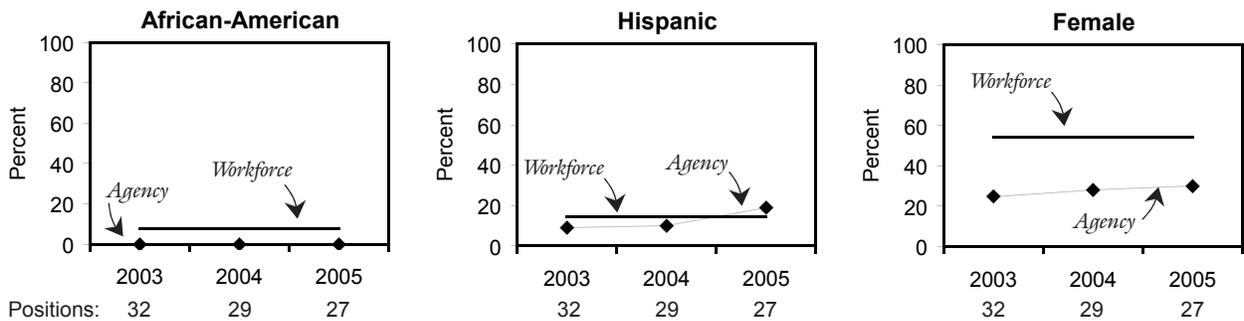
In accordance with the requirements of the Sunset Act, the following material shows trend information for the Texas Veterinary Medical Diagnostic Laboratory's (TVMDL) employment of minorities and females in all applicable categories.¹ The agency maintains and reports this information under guidelines established by the Texas Workforce Commission.² In the charts, the flat lines represent the percentages of the statewide civilian workforce for African-Americans, Hispanics, and females in each job category. These percentages provide a yardstick for measuring agencies' performance in employing persons in each of these groups. The diamond lines represent the agency's actual employment percentages in each job category from 2003 to 2005. The agency had no employees in the service/maintenance or skilled craft categories, so this information was not shown in the charts. Generally, TVMDL does not meet the statewide civilian workforce percentages for African-Americans and Hispanics in all job categories.

Administration



The agency fell below the civilian workforce percentage for African-Americans, Hispanics, and females each year.

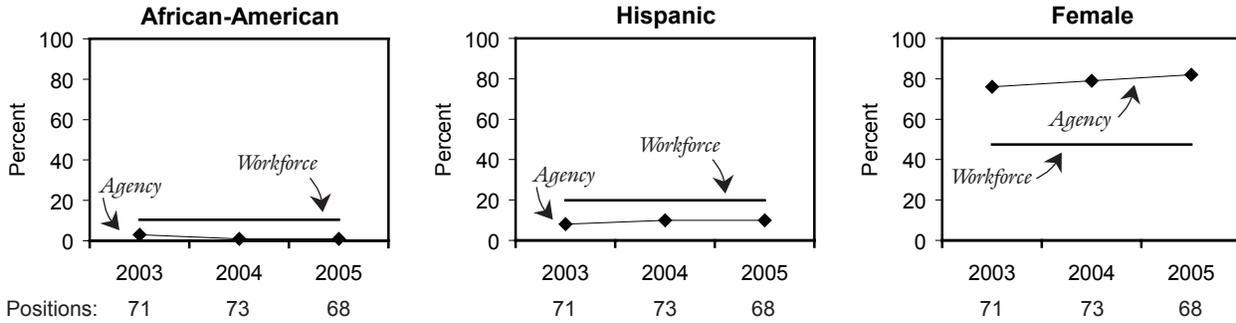
Professional



The agency fell short of the percentage for African-Americans, Hispanics, and females in the professional category each year.

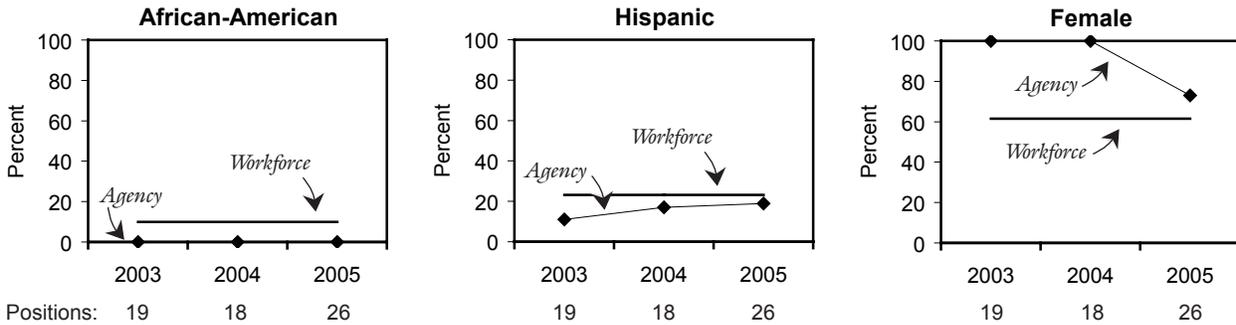
Appendix A

Technical



The agency exceeded the percentage for females, but continued to be below the percentage for African-Americans and Hispanics in this category.

Administrative Support



The agency exceeded percentages for females in 2004 and 2005. Though the agency fell below the percentages for African-Americans each year, it made improvement in the percentage of Hispanics.

¹ Texas Government Code, sec. 325.011(9)(A).

² Texas Labor Code, sec. 21.501.

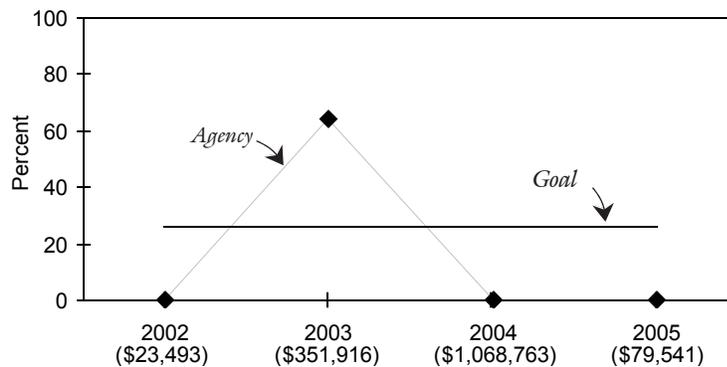
Historically Underutilized Businesses Statistics

2002 to 2005

The Legislature has encouraged state agencies to increase their use of Historically Underutilized Businesses (HUBs) to promote full and equal opportunities for all businesses in state procurement. The Legislature also requires the Sunset Commission to consider agencies' compliance with laws and rules regarding HUB use in its reviews.¹ The agency met additional HUB requirements such as designating a HUB coordinator and participating in the HUB Forum and Mentor-Protege Programs.

The following material shows trend information for the Texas Veterinary Medical Diagnostic Laboratory's use of HUBs in purchasing goods and services. The agency maintains and reports this information under guidelines in the Texas Building and Procurement Commission's statute.² In the charts, the flat lines represent the goal for HUB purchasing in each category, as established by the Texas Building and Procurement Commission. The diamond lines represent the percentage of agency spending with HUBs in each purchasing category from 2002 to 2005. Finally, the number in parentheses under each year shows the total amount the agency spent in each purchasing category. The agency fell short of all statewide goals in the special trade, professional services, and other services categories in 2002 to 2005.

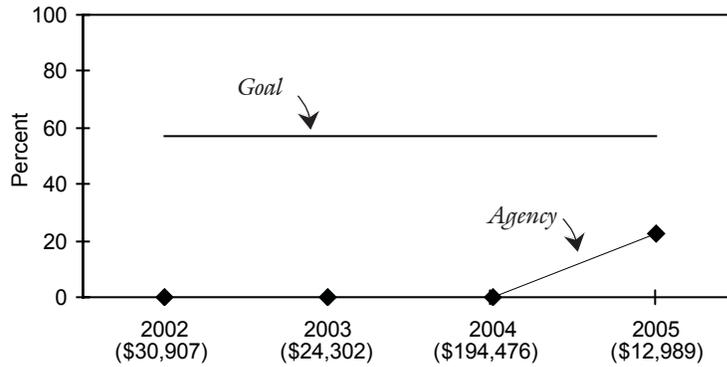
Building Construction



The agency exceeded the goal in 2003, but did not use HUBs for any expenditures in this category in 2002, 2004, and 2005.

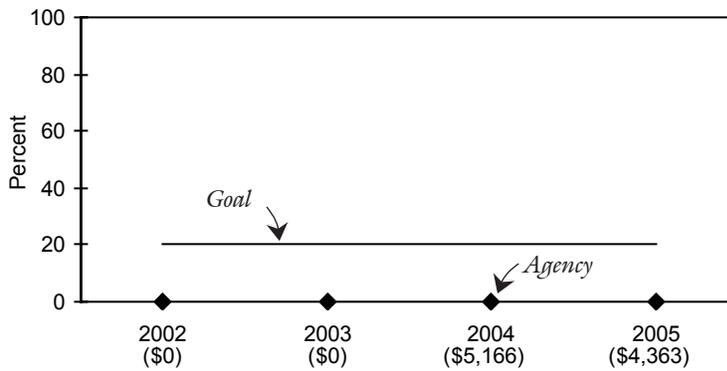
Appendix B

Special Trade



The agency fell below the goal in 2005, and did not use HUBs for any expenditures in this category in 2002, 2003, and 2004.

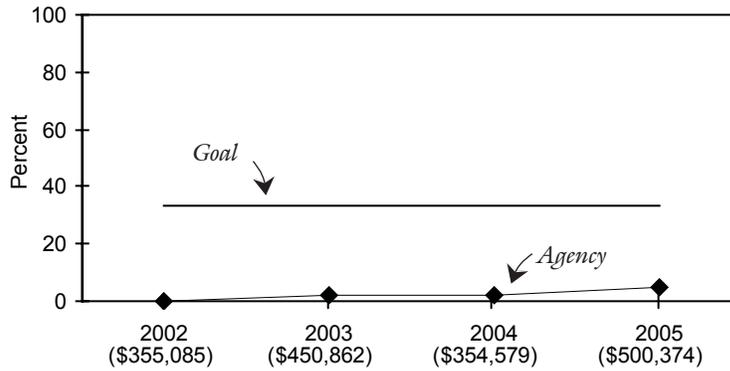
Professional Services



The agency did not use HUBs for any expenditures in this category in all four years.

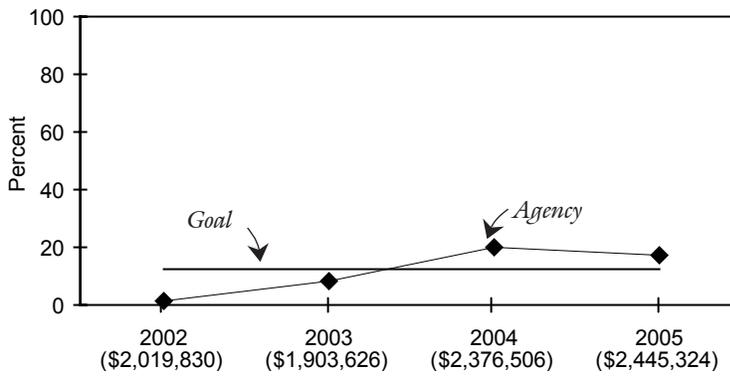
Appendix B

Other Services



The agency fell below the goal in 2003, 2004, and 2005, and did not use HUBs for any expenditures in this category in 2002.

Commodities



After not meeting the goal in 2002 and 2003, the agency exceeded the goal the last two years.

¹ Texas Government Code, sec. 325.011(9)(B).

² Texas Government Code, ch. 2161.

Reportable Animal Diseases

Multiple Species Diseases

- African trypanosomosis (Nagana)
- Akabane
- Anthrax
- Aujeszky's disease
- Foot-and-mouth disease
- Heartwater
- Leishmaniasis
- Rinderpest
- Rift Valley fever
- Screwworm
- T. brucei
- Vesicular stomatitis

Cattle Diseases

- Bovine babesiosis
- Bovine brucellosis
- Bovine ephemeral fever
- Bovine spongiform encephalopathy
- Bovine tuberculosis
- Contagious bovine pleuropneumonia
- East coast fever (Theileriosis)
- Herpesvirus (AHV 1)
- Lumpy skin disease
- Malignant catarrhal fever (wildebeest associated)
- Scabies

Swine Diseases

- African swine fever
- Classical swine fever (hog cholera)
- Pseudorabies
- Porcine brucellosis
- Swine vesicular disease
- Vesicular exanthema

Equine Diseases

- African horse sickness
- Contagious equine metritis
- Dourine
- Epizootic lymphangitis
- Equine encephalomyelitis (Eastern and Western)
- Equine infectious anemia
- Equine morbillivirus pneumonia
- Equine piroplasmosis
- Glanders
- Japanese encephalitis
- Surra
- Venezuelan equine encephalomyelitis

Poultry Diseases

- Avian influenza
- Avian infectious laryngotracheitis
- Avian tuberculosis
- Duck virus hepatitis
- Duck virus enteritis
- Fowl typhoid
- Highly pathogenic avian influenza (fowl plague)
- Infectious encephalomyelitis
- Newcastle disease (VVND)
- Ornithosis (psitticosis)
- Paramyxovirus infections (other than Newcastle disease)
- Pullorum disease

Cervidae Diseases

- Brucellosis
- Chronic wasting disease
- Tuberculosis

Appendix C

Sheep and Goat Diseases

- Caprine and ovine brucellosis
- Contagious caprine pleuropneumonia
- Louping ill
- Nairobi sheep disease
- Peste des petits ruminants
- Sheep pox and goat pox
- Scrapie
- Scabies

Rabbit Diseases

- Myxomatosis
- Viral haemorrhagic disease of rabbits

Staff Review Activities

During the review of the Texas Veterinary Medical Diagnostic Laboratory, Sunset staff engaged in the following activities that are standard to all Sunset reviews. Sunset staff worked extensively with agency personnel; spoke with staff from key legislative offices; conducted interviews and solicited written comments from interest groups and the public; reviewed agency documents and reports, state statutes, legislative reports, previous legislation, and literature; researched the organization and functions of similar state agencies in other states; and performed background and comparative research using the Internet.

In addition, Sunset staff performed the following activities unique to this agency.

- ◆ Met with staff from the Texas Animal Health Commission, United States Department of Agriculture, Texas Racing Commission, Texas Parks and Wildlife Department, and Texas Department of State Health Services.
- ◆ Visited the state-federal laboratory in Austin and observed the brucellosis testing process.
- ◆ Interviewed a TVMDL client submitting an animal for diagnostic testing.
- ◆ Toured the poultry laboratory in Gonzales.
- ◆ Observed pullorum-typhoid testing conducted by TVMDL field staff.
- ◆ Conducted interviews with participants of the Pullorum-Typhoid Program.
- ◆ Visited a commercial broiler facility.
- ◆ Toured the laboratory facilities in College Station, and observed various tests in each laboratory division.
- ◆ Met with representatives from the Texas A&M University System.

**SUNSET REVIEW OF THE
TEXAS VETERINARY MEDICAL DIAGNOSTIC LABORATORY**

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