

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-1725/4	Introduction Number SB-170
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Subject
 Omnibus department of veterans affairs request

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget
<input checked="" type="checkbox"/> Indeterminate	<input type="checkbox"/> Decrease Existing Revenues	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<input checked="" type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Decrease Costs
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs			
<input checked="" type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	5.Types of Local Government Units Affected	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue		<input type="checkbox"/> Counties <input type="checkbox"/> Others
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts

Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEGS 20.485(2)(tf);(2)(th);(2)(yn)	

Agency/Prepared By DVA/ Kenneth Abrahamsen (608) 266-0117	Authorized Signature Glen Brower (608) 264-6092	Date 5/27/2003
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Fiscal Estimate Narratives

DVA 5/27/2003

LRB Number 03-1725/4	Introduction Number SB-170	Estimate Type Original
Subject Omnibus department of veterans affairs request		

Assumptions Used in Arriving at Fiscal Estimate

The many of the provisions of this bill involve technical changes that do not have any fiscal effect. Those provisions that have a fiscal effect are as follows:

Tuition and Fee Reimbursement Grant (TFRG) Program:

The bill proposes to increase the reimbursement rate for the Tuition and Fee Reimbursement Grant (TFRG) program from 85% to 100%. The authorized budget for FY03 is \$1,907,900 and all of those funds are projected to be expended. The estimated cost of 100% reimbursement would increase expenditures for the program \$387,200 in FY04 ($1,907,900 \times 1.00/.85 = \$2,244,600 - \$1,907,900 \times 0.15 =$) and by \$445,300 in FY05 ($\$387,200 \times 0.15 = \$58,100 + \$387,200$). The cost estimate for FY04 is increased by 15% in both fiscal years to account for projected tuition increases.

The bill also includes provisions that would change the definition of an eligible veteran for the TFRG program. Under current law, an eligible veteran for the TFRG program must have served on active duty, except service on active duty for training purposes, under honorable conditions in the U.S. armed forces for 2 continuous years or more or the full period of the individual's initial service obligation, whichever is less. Under the provisions of this bill, eligibility would only require that a veteran have 90 days of military service for purposes other than training. No data is available to estimate the number of individual's that would become eligible under the provisions of this bill. Therefore, the fiscal effect of amending the eligibility for the TFRG program is indeterminable.

Part-time Study Grant (PTSG) Program:

Under the provisions of this bill, the reimbursement rate for the Part-Time Study Grant (PTSG) program would increase from 85% to 100%. The authorized budget for FY03 is \$608,300 and all of the funds are expected to be expended. The estimated cost raise the reimbursement rate to 100% would be \$123,400 in FY04 ($\$608,300 \times 100/85 = \$715,600 - \$608,300 \times 0.15$) and \$141,900 in FY05 ($\$123,400 \times 0.15 = \$18,500 + \$123,400$). The cost estimate for both fiscal years is increased by 15% in FY05 to account for projected tuition increases.

Personal Loan Program:

This bill increases the maximum loan amount for loans secured with a mortgage and reduces the maximum loan secured by a guarantor for the department's Personal Loan Program (PLP). Based on current loan experience, about 45-percent of the PLP loans are secured with a mortgage and 55-percent by a guarantor. In addition, the average loan amount has historically been about 80-percent of the maximum loan amount. Under the provisions of this bill, the maximum for loans secured with a mortgage would be \$25,000 and for loans secured by a guarantor would be \$5,000. For purposes of deriving a fiscal estimate of these changes, it is assumed that the average loan amounts would be \$20,000 for loans secured by mortgages and \$4,000 for loans secured by a guarantor. The department projects FY 03 demand for PLP loans under current law will be approximately 1,800 loans. It is assumed that the demand for mortgage secured loans will remain at about the same level as the estimated FY03 level or 810 loans (1,800 times 45%).

For loans secured by a guarantor it is assumed that the demand for those loans would be similar to the Economic Assistance Loan (EAL) program that the department operated prior to creating the PLP in FY98. The EAL had a maximum loan amount of \$5,000. The demand for loans was about \$2,500,000 for the last two fiscal years EALs were made. The estimated number of loans for the guarantor secured loans would be 625 ($\$2,500,000/\$4,000$). It is assumed that the demand for loans secured by a guarantor would be in this same range. Below is a table the summarizes the projected demand for PLPs under the assumption that the loan maximums would be set at those proposed under the provisions contained in this bill. See attachment for table

of the fiscal effect for the PLP.

The appropriation for the PLP is a biennial appropriation. The biennial demand for the program for the 2001-03 biennium is estimated to be \$30 million or an average of \$15 million per fiscal year. The provisions of this bill are permissive in terms of setting the maximum amount for loans secured by a mortgage or a guarantor. Under current administrative rules for the PLP, the Secretary for the Wisconsin Department of Veterans Affairs (WDVA) has the authority to set the maximum loan amount under the PLP, as well as the interest rate for loans. It is anticipated that the loan maximum and interest rates (particularly for loans secured by a mortgage) would be adjusted to keep demand at the same level as for the current biennium. As a result, the department does not anticipate any significant changes in costs or revenues for this program.

Long-Range Fiscal Implications

Personal Loan Fiscal Effect:

Type of Security	Number of Loans	Avg. Loan	Total Amt. of Loans
Guarantor	625*	\$4,000	\$2,500,000
Mortgage	810**	\$20,000	\$16,200,000
Totals	1,435		\$18,700,000

*625 loans = \$2,500,000 (the amount of EAL loans with \$5,000 max. loan) divided by \$4,000 (projected average amount of loan for guarantor secured loan with \$5,000 max. loan).

**810 loans = 1,800 current PLP loans times 45%, which is percentage of mortgage secured loans.