



Legislative Fiscal Bureau

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October 28, 2003

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 170: Modifications to Various Veterans Programs

Senate Bill 170 (SB 170) would make a variety of modifications to veterans programs and benefits and would revise the authorized uses for the segregated veterans trust fund and the veterans mortgage loan repayment fund. SB 170 was introduced on May 21, 2003, and was referred to the Senate Committee on Homeland Security, Veterans and Military Affairs and Government Reform. On June 17, the Committee adopted Senate Amendment 1, and recommended SB 170, as amended, for passage on a 5-0 vote. On October 22, 2003, the bill was referred to the Joint Committee on Finance.

SUMMARY OF THE BILL

Modifications to Veterans Programs and Benefits

Changes Related to the Educational Grant Programs Administered by DVA. SB 170 would modify the agency's Tuition and Fee Reimbursement Grant program to provide that an eligible veteran would be reimbursed at the lesser of their actual tuition and fee costs or 100% (rather than 85%) of tuition and fees for a state resident for an equivalent number of undergraduate credits at the UW-Madison. A comparable provision would apply to the Part-Time Study Grant program. The Tuition and Fee Reimbursement Grant program reimburses qualified veterans who attend any institution or center within the UW System, any state technical college or any similar institution that has a tuition reciprocity agreement with Wisconsin. The Part-Time Study Grant program reimburses qualified veterans who attend an institution of higher education in the state or a public or private high school.

[At the time SB 170 was introduced, the reimbursement rate for these programs was the lesser of actual tuition or 85% of tuition and fees for a state resident at the UW-Madison. Provisions of 2003 Wisconsin Act 33 (the biennial budget act), as affected by the Governor's item vetoes, resulted in the reimbursement rates being increased to the lesser of actual tuition or 100% of tuition and fees for a resident undergraduate at the UW-Madison. Senate Amendment 1, described below, corrects the bill to reflect a portion of the Act 33 law changes.]

SB 170 would also modify certain enrollment and course eligibility limitations affecting one or both of these educational programs. The bill would modify the current law requirement under the Tuition and Fee Reimbursement Grant program that stipulates that an eligible course for reimbursement purposes must be completed within 10 years of separation from military service, by specifying that the course must be completed "during the semester" that started within 10 years of separation from military service. Act 33 also addressed this issue by specifying that the class must be "begun" within 10 years of separation. The Committee may wish to adopt a technical amendment to conform the bill to the Act 33 language.

SB 170 would also authorize reimbursements under the Tuition and Fee Reimbursement Grant program for courses of instruction at an eligible institution other than the one from which the veteran is receiving his or her degree, if all the following provisions apply: (1) the curriculum at the other institution consists only of courses necessary for the student's degree in a particular course of study; and (2) the course is accepted as transfer credits at the institution where the veteran is receiving his or her degree but is not available at that institution. These modifications under SB 170 are included in a statutory section that was modified by the Governor, as part of his item veto, to provide a reimbursement rate of up to 100% of tuition and fees under Act 33. The Committee may wish to adopt a technical amendment that has the effect of retaining the Governor's treatment of the text (thereby retaining the 100% reimbursement rate) but also includes the proposed course credit transfer provisions described above.

SB 170 would prohibit the use of education grants under the Tuition and Fee Reimbursement Grant program and the Part-Time Study Grant program for courses that are approved for credit by DVA's Academic Credit for Military Experience Program. Under this program the Department may award academic credits based on military experience. Further, with respect to the Tuition and Fee Reimbursement Grant program, these credits could also not be counted toward the 12-credit course minimum required each semester in order to be eligible for a reimbursement grant.

SB 170 would also increase the income eligibility ceiling under both education grant programs from the current \$47,500 plus \$500 per dependent in excess of two dependents to \$50,000 plus \$1,000 per dependent in excess of two dependents.

SB 170 would delete a definition of "veteran" under the Tuition and Fee Reimbursement Grant program that requires military service on active duty for the period of one's initial service obligation, or two years, whichever is less, and instead utilizes the general definition of veteran under chapter 45 of the statutes. The term "individual" used under the Tuition and Fee

Reimbursement Grant program to describe persons eligible for the program would be uniformly changed to the word "veteran." The effect of this change would be to open the program to veterans who may have had as little as 90 days of active service, rather than the current two years.

Finally, provisions of SB 170 would prohibit a member of the Wisconsin National Guard who was receiving a National Guard Tuition Grant from also receiving a Tuition and Fee Reimbursement Grant, and a veteran receiving reimbursement under the Tuition and Fee Reimbursement Grant program from also receiving a National Guard Tuition Grant.

Personal Loan Program. SB 170 would increase the maximum loan available under the Veterans Personal Loan program from \$15,000 to \$25,000. DVA would be authorized to establish this maximum based on financial market conditions, available funds, needs of the veterans trust fund, or other factors considered relevant by the agency. Specific statutory purposes for which the loans could be used (mobile homes, businesses, business properties, educational expenses, medical or funeral expenses, or the consolidation of debt) would be deleted. The agency would further be authorized to periodically adjust the interest rates on these loans based on the term of the loan, the type of security offered, method of payment, or any other factor determined relevant by agency.

Finally, SB 170 would establish the type of security that must be provided by an applicant of a personal loan. Most loans would have to be evidenced by a promissory note and secured by a Wisconsin mortgage. Where the loan was less than \$5,000 and was made to an individual with total Veterans Personal Loan program indebtedness of less than \$5,000, the loan could be evidenced by a promissory note secured by a guarantor or by a Wisconsin mortgage. The Department would be required to establish the minimum allowable equity for mortgages that are used to secure these personal loans by rule. Currently, the required security is established by rule, which requires that personal loans include at least one guarantor, or Wisconsin real estate security.

Health Care Aid Grants Program. SB 170 would clarify current law requirements relating to the granting of prior (retroactive) authorization for the payment of health care aid under the program. Currently, such authorization is prohibited; however, the agency may issue a certificate of entitlement stating that a veteran or dependent is eligible for a grant within a specific time period. The SB 170 language clarifies that the agency may not grant health care aid to a qualified individual before the time period identified in the certificate of entitlement.

Other Changes. SB 170 would make a variety of other changes, including: (1) specifying that an authorized lender under the veterans mortgage loan program is also an authorized servicer under the program; (2) authorizing the Department to enter into contracts with persons other than the newly defined authorized lenders for the purpose of servicing loans; (3) authorizing veterans to apply directly to the Department for veterans retraining grants, for mortgage loans and for any other benefit program offered by the Department; (4) revising the definition of "veteran" for purposes of burial in a Wisconsin veterans cemetery to exclude those individual's whose only active duty service was service on active duty for training purposes; (5) extending eligibility for the veterans housing loan program to persons serving on active duty in the U. S. armed forces at the time of

making application; and (6) specifying that a county with an eligible part-time county veterans service office (rather than the current law "officer") would be eligible for an annual grant of up to \$500.

Modifications Affecting the Authorized Uses of the Segregated Veterans Funds

Purchase of the Department's Headquarters Building. Authorize DVA to acquire property by gift, purchase, or condemnation for the purpose of an agency headquarters building. Enumerate as a statutory purpose of the veterans mortgage loan repayment fund the payment of obligations incurred by DVA from the purchase of a headquarters building. The agency's current headquarters building is located on Capitol Square in Madison and is privately owned. Under the proposed new authority, DVA could negotiate directly with the owner of the agency's leased headquarters facility or with the owner of another property for use as a headquarters facility.

Under current law, before the Building Commission may authorize the acquisition of land, or the repair, remodeling or improvement to any existing building, structure, or facility for a state agency (where the project cost is in excess of \$500,000, regardless of funding source), the project must be enumerated in the state building program. To enumerate a project, the Legislature typically lists the project title and budget in a nonstatutory provision enacted as part of the biennial budget. While SB 170 would authorize DVA to acquire property for a headquarters facility, the bill would not enumerate the acquisition of the property at this time.

If the Legislature ultimately acts to enumerate the project as part of the state building program, the Building Commission would still have final approval on the release of the veterans mortgage loan repayment funds before the property acquisition or the construction project related to the agency's headquarters could be undertaken. Further, while SB 170 would provide the agency with the authority to make payments from the veterans mortgage loan repayment fund, there is no specific current law authority under any of the agency's existing appropriations to make these payments.

Under the grant of condemnation authority to DVA, the agency would have the right (under Chapter 32 of the statutes) to purchase real estate that cannot otherwise be obtained by gift or voluntary sale. Under these condemnation or eminent domain procedures, the agency would have the right to purchase property at fair market value (based upon appraisals or upon subsequent court review), plus the costs of relocation for the previous occupants. To start the condemnation process, appraisals are prepared and the purchaser must attempt to negotiate with the property owner. If this negotiation process does not lead to an agreeable price, the matter is forwarded to a circuit court judge, who may condemn the property and assign a condemnation committee to review the matter and determine a fair price. The decision of the committee may be appealed to the circuit court judge for final determination.

Veterans Mortgage Loan Repayment Fund Transfers. Stipulate that any funds appropriated or transferred by law from the veterans mortgage loan repayment fund, other than for the

enumerated statutory purposes of the fund, must be repaid from the state's general fund plus interest computed at 5% annually from the date of the appropriation or transfer to the date of repayment. Under the bill, repayment from the general fund would apply regardless of the fund to which the program's funds were transferred or appropriated. Specify that this repayment provision would not apply to temporary, short-term interfund reallocations authorized under s. 20.002(11) of the statutes.

Under current law, the authorized purposes of the veterans mortgage loan repayment fund are the following: (1) transfers to the bond security and redemption fund; (2) acquisition or redemption of public debt, as determined by the Building Commission; (3) payment of losses arising from delinquency or default in the repayment of state bonds for veterans mortgage loans; (4) agency payments for processing and servicing loans, purchasing of servicing rights for mortgage loans, and funding administration costs for DVA and county veterans service officers related to the program; (5) payments of all costs incurred in contracting public debt for veterans housing loans; (6) payments related to issuance costs of revenue bonds for veterans housing loans that are not covered by those bonds; (7) payment of obligations purchased by WHEDA from the program; (8) payment of any other authorized costs of program operations; (9) payments of the costs of loaning money from the program to the veterans trust fund, with the approval of the Building Commission; (10) payment of origination fees for veterans who have at least a 30% service connected disability; and (11) escrow payments for housing insurance. As described above, payments of obligations associated with the acquisition of a headquarters building for the agency would be added as a further statutory purpose of the fund.

As the bill is drafted, the creation of a statutory 5% interest rate on repayments to the fund would appear to create an incentive to borrow from the fund whenever the market rate for monies from other sources exceeded 5%.

Authorized Fund Transfers. Authorize the DVA to make loans to the veterans mortgage loan repayment fund from the veterans trust fund. No interest amount is specified on such loans.

Loan Guarantees. Create an additional eligible use of veterans trust fund of providing loan guarantees for multifamily transitional housing for homeless veterans. No further statutory language on this program is included in SB 170.

Miscellaneous Provision

Eligibility for Hazard Duty Pay for State Firefighter Employees at the Veterans Homes. Repeal the eligibility of a firefighter employed at the Wisconsin Veterans Home at King or the Southern Wisconsin Veterans Retirement Center for hazardous duty benefits if the firefighter is injured in the performance of his or her duties. These facilities no longer directly employ firefighters.

SENATE AMENDMENT 1

Senate Amendment 1 (SA 1) to SB 170 would make the following changes:

Purchase of Departmental Headquarters. SA 1 would authorize the Department to acquire the veterans museum, in addition to a headquarters facility by gift, purchase, or condemnation.

Reimbursement Levels for Education Grants. SA 1 would delete the language of SB 170 increasing the reimbursement rates for both the Tuition and Fee Reimbursement Grant program and the Part-Time Study Grant program tuition to recognize that these reimbursement rate increases were provided under Act 33. However, SA 1 does not delete all provisions of SB 170 affecting these education grant programs that were also modified under Act 33.

Health Care Aid Grants. SB 170 modifies the statutes dealing with health care aid grants to veterans to state that DVA may not grant health care aid to pay for care provided before the time period identified in the certificate of entitlement. SA 1 modifies this provision to add ", except for emergency care as determined by the Department if the application for the health care aid is submitted within 90 days after the emergency care ends."

County Veterans Service Office Payments. Under SB 170, counties that had a part-time officer, but a full time office would be eligible for an annual grant not exceeding \$500. The bill modifies this provision by deleting the reference to "officer" and instead inserting a reference to county veterans service "office." SA 1 restores the reference to "officer" but adds language that the \$500 limit on reimbursement does not apply if the county has a full-time county veterans' service office, in which case the statutory provision dealing with higher reimbursement applies (\$8,500 to \$13,000 depending on the county's population).

Benefit Applications. SB 170 provides that an application for state veterans benefits may be submitted directly to DVA, or to any qualified representative approved by DVA. SA 1 states that those applications may be submitted directly to DVA, to a county veterans' service officer, or to any qualified representative approved by DVA. SA 1 also requires DVA to promulgate rules establishing the qualifications for those representatives, the approved places of submission for applications, and other administrative matters to ensure efficient deliver of departmental services.

TECHNICAL AMENDMENT

A technical amendment is required to conform the provisions of SB 170 relating to the 100% reimbursement rate authorized for DVA's education grant programs by Act 33. The technical amendment would also incorporate the Act 33 language that courses under the educational programs must be "begun" rather than be completed "during the semester" that started within 10 years of separation from military service. New language proposed under SB 170 in the statutory section affected by the technical that relates to the reimbursements for certain courses taken at

institutions other than the one where the veteran is expecting his or her degree would be retained and would not be modified.

FISCAL EFFECT

The bill contains no appropriation, and no additional funding or position authorization is provided to the Department.

The Department estimates that the demand for personal loans would increase to approximately \$18,700,000 SEG annually. Under current law the appropriation for this program provides for up to \$30,000,000 SEG biennially for personal loans. However, the Department has indicated that it would likely not offer the maximum loan amounts authorized under the bill during this biennium, and that the current appropriation level would be sufficient.

The Department estimates that enrollment in the Tuition and Fee Reimbursement Grant program could increase due to the change in definition of eligible veterans. Additional veterans could qualify for the program; however, it is unknown how many additional enrollments might result from this eligibility change. The reimbursement rate change proposed for the agency's education grant programs by SB 170 have already been effected by provisions of Act 33. It is estimated that these educational programs may ultimately require an additional \$101,800 SEG in 2003-04 and \$702,800 SEG in 2004-05 to fully fund the Act 33 reimbursement rates, provided program utilization levels also remain unchanged.

Finally, the modification to county veterans service office payments in counties that do not have a full-time service officer could affect two counties (Green and Florence). To the extent that these counties might qualify for higher reimbursement rates under SB 170, as affected by SA 1, the maximum additional cost would be \$17,500 SEG. This additional cost would be funded from the agency's s. 20.485(2)(vx) appropriation, which is appropriated \$297,500 SEG annually. Currently, this appropriation is fully committed to payments to the 70 counties with full-time county veterans service officers.

Senate Amendment 1. Additional costs under the Health Care Aid Grants program could occur as a result of the SA 1 provision authorizing retroactive payments for emergency care. It is unknown, how many additional individuals would seek such grants under this provision; however, the Department indicates that the current budget authority (\$1,500,000 SEG annually) should be sufficient, due to greater use of federal awards for other ongoing program activity.

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