



Legislative Fiscal Bureau

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February 15, 2012

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 546/Senate Bill 542: Enumerate Renovation of Gates Hall at the Wisconsin Veterans Home at Union Grove

Senate Bill 442 and Assembly Bill 546 are identical bills that would enumerate the renovation of Gates Hall at the Wisconsin Veterans Home at Union Grove as part of the 2011-13 state building program. Senate Bill 442 was introduced on February 7, 2012, and Assembly Bill 546 was introduced on February 8, 2012. Both bills were referred to the Joint Committee on Finance.

BACKGROUND

Current Operations at the Veterans Home at Union Grove. The Department of Veterans Affairs (DVA) operates the Wisconsin Veterans Homes at Union Grove in Racine County. The Veterans Home at Union Grove includes several facilities, including:

- Boland Hall, a 120-bed skilled nursing facility, which is currently operating at capacity and has had an average monthly waiting list for admissions of approximately 20 to 25 individuals since March, 2009.
- Fairchild Hall and Shemanske Hall, both licensed as group homes, which provide more limited services to residents than the skilled nursing services provided at Boland Hall. Fairchild Hall, which has 40 licensed beds, provides services for individuals with memory issues. As of January, 2012, there were 26 residents at Fairchild Hall. Shemanske Hall, which has 41 licensed beds, has a resident population that has decreased from 30 in August, 2011, to 15 as of January, 2012.
- Gates Hall is licensed as a 42-bed residential care apartment complex (RCAC), but has

been closed since August, 2011, due to insufficient demand for domiciliary services at the Veterans Home at Union Grove.

The costs of operating the skilled nursing facility are primarily supported with medical assistance (MA) funding, as most residents of the nursing home are eligible for MA. Skilled nursing services provided at the Veterans Home at Union Grove are also supported with federal per diem payments and federal service-connected disability payments administered by the U.S. Department of Veterans Affairs (USDVA), members' personal funds, and Medicare.

Unlike care provided by nursing homes, services provided by group homes and RCACs at the Veterans Home at Union Grove are not MA-eligible services. Consequently, support for the operations of these facilities has been provided primarily through members' personal funds, federal per-diem payments, and subsidies from DVA's other care facilities.

In 2011-12, the Veterans Home at Union Grove is budgeted approximately \$16.0 million in program revenue (PR) funds from the sources listed above. Of the total, approximately \$11.4 million PR is budgeted to support the skilled nursing facility, including support for 135.83 PR positions, while approximately \$4.6 million PR is budgeted to support the group homes and RCAC, including support for 58.0 PR positions.

Proposal to Convert Gates Hall to a Skilled Nursing Facility. During the past two years, demand for the beds at the assisted living facilities at the Veterans Home at Union Grove has decreased significantly. For example, in January, 2009, Gates Hall had 41 residents, but the number declined to 29 in January, 2010, and to 13 in January, 2011. In July, 2011, when the Department decided to close Gates Hall, there were six residents. As a result of the declining census, DVA determined that Gates Hall was not generating sufficient income to fund continued operations.

DVA proposes to convert Gates Hall from a 42-bed RCAC to a 38-bed skilled nursing facility. The Department's proposal is based on a demand analysis it conducted that demonstrated that there is currently unmet demand for additional skilled nursing home beds by veterans in the Union Grove region, a conclusion that is supported by the current waiting list for admissions to Boland Hall. However, DVA's demand analysis also concludes that: (a) usage rates for skilled nursing care will continue to decline in the foreseeable future; (b) the potential impact of changing trends in long-term care need to be assessed on a regular basis, since they can significantly reduce the demand for skilled nursing beds at veterans homes; (c) at a minimum, the demand analysis for skilled beds should be reestimated on a biennial basis; and (d) any capital investment plans should be based on long-term demand estimates.

On February 8, 2012, DVA submitted a pre-application and supporting materials to USDVA for federal assistance under the state home construction grant program. A number of factors will determine whether the Gates Hall renovation project will receive a federal state home construction grant. First, DVA must submit all of the necessary documentation, including certification that the state will provide 35% of the construction funding, to the USDVA by August 15, 2012 (or perhaps

earlier, according to DVA staff), in order to qualify for federal fiscal year 2012-13 grant funding. Second, the application must be approved by USDVA. Third, the grant award will depend on the amount of construction grant funding appropriated by the federal government and the number of other states that choose to submit projects. The Gates Hall renovation will only be funded if there is sufficient funding for construction grants to fund all of the projects that are ranked ahead of the Gates Hall renovation project.

The Department intends to begin renovations of Gates Hall in September, 2012, finish construction by February, 2013, and begin to admit residents in April, 2013. No additional staff would be required to operate Gates Hall in the 2011-13 biennium. Instead, position authority from the remaining assisted living facilities and nursing homes at the Veterans Home at Union Grove would be used to operate the facility. As previously indicated, the operational costs of the facility would be funded through a combination of PR collected from Gates Hall residents, MA, Medicare, and federal USDVA payments.

If the bill is not passed and the project does not receive federal funding, Gates Hall would remain vacant. Gates Hall was constructed using federal USDVA state home construction grant funds. As part of the original construction grant, DVA committed to operating Gates Hall as an assisted living facility. If the facility remains vacant, USDVA may require DVA to pay back some or all of the construction costs that were supported with federal funds.

Requirement for Enumeration. Under current law, the Building Commission may authorize the design and construction of a state facility, building or structure, the repair, remodeling, or improvement of an existing facility, or the acquisition of land exceeding \$760,000 only if the project or acquisition is enumerated in the biennial state building program.

SUMMARY OF BILL

The bill would add the renovation of Gates Hall at the Wisconsin Veterans Home at Union Grove to the 2011-13 state building program to conform to the enumeration requirement described above.

Under the bill, the Gates Hall renovation project would be funded with \$3,189,900 in federal funds that are anticipated to be available under the USDVA state home construction grant program and \$1,717,700 in existing program revenue supported bonding that was previously authorized under the DVA self amortizing housing facilities bonding authorization. Previously authorized bonding can become available when building projects funded from that bonding authorization inevitably do not occur, are scaled back in scope, or are less than originally budgeted. As of January, 2012, this self amortizing housing facilities bonding authorization had \$13.7 million in authority that had not yet been allotted by the Building Commission. According to the Department of Administration Division of State Facilities staff, a sufficient amount of unallotted bonding is available under the bonding authorization to fund the proposed Gates Hall renovation project.

FISCAL EFFECT

If the bill were enacted, DVA would submit a grant application for the project to the USDVA no later than August 15, 2012, to ensure that the project would be considered for funding from USDVA's federal fiscal year 2012-13 grant allocations. It is anticipated that federal funds would support approximately 65% of total project costs.

The state's share of project costs would be supported by program revenue-supported bonding authority. The program revenue source for debt service payments would be program revenues DVA receives for the operation of the skilled nursing facility. Based on a 20-year amortization period for bonds issued for the project, annual debt service costs are estimated to range from approximately \$151,200 in the first full year of payments (2013-14), to \$110,000 in the last year (2031-32). During the 20-year period, the total state payments are estimated to be approximately \$2,865,500 (\$1,715,000 in principal and \$970,500 in interest payments).

Future funding and position adjustments relating to the operation of the facility would be determined as part of the 2013-15 biennial budget process.

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