



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #801

Minor Policy and Technical Changes -- Personal Loan Program Modifications (DVA -- Veterans Trust Fund)

[LFB 2005-07 Budget Summary: Page 511, #1]

CURRENT LAW

The Department of Veterans Affairs (DVA) administers a personal loan program to provide multi-purpose, low-interest loans to eligible state veterans, or unremarried spouses or dependents of deceased veterans. These loans may be used for any purpose and are funded from the veterans trust fund.

The appropriation supporting the personal loan program is divided into two numeric appropriations: one that supports loan payments to individuals and another that supports the administrative expenses of the program. Base funding under the loan payment appropriation is \$15,000,000 SEG annually, and base funding under the program administration appropriation is \$450,000 SEG annually.

In 2003-04, there were 934 loans made, totaling \$11,808,600 SEG. Program administration was outsourced from June, 2000, until November, 2003, when the program's administrative functions were again brought in-house. DVA's program administration costs for seven months in 2003-04 were \$78,500 SEG.

GOVERNOR

Delete \$5,450,000 SEG annually under the personal loan program and authorize DVA to make certain adjustments to the term of the loans. Each of the separate numeric appropriations would be modified under the Governor's recommendations, as follows.

Amounts Available for Personal Loan Payments. Provide an additional \$7,650,000 SEG annually to increase the amounts available for personal loans from the current \$15,000,000 SEG to \$22,650,000 SEG annually.

Amounts Available for Administrative Expenses. Delete \$13,100,000 SEG annually to reduce the amounts available for the administration of the personal loan program from the current \$450,000 SEG to -\$12,650,000 SEG annually.

Statutory Language Changes. Specify that DVA would be authorized to adjust the terms of any personal loan, subject to the current law maximum term of 10 years, based on financial market conditions, funds available, needs of the veterans trust fund, or other factors considered relevant to the Department.

MODIFICATION

Modify the Governor's recommendation by deleting \$12,650,000 SEG annually from the \$22,660,000 SEG annually appropriated under the bill for personal loans for veterans to provide total funding of \$10,000,000 SEG annually for this purpose. Provide \$12,800,000 SEG annually to the -\$12,650,000 SEG annually appropriated under the bill for the administration of the personal loan program to provide \$150,000 SEG annually for this purpose.

Explanation: While the Governor's recommendation would result in a net reduction of \$5,450,000 SEG annually for the personal loan program, the adjustments have been applied to the wrong numeric appropriations. The administration has advised that the Governor's intent is to: (1) reduce base funding for the amounts available for personal loans by \$5,000,000 SEG annually to make \$10,000,000 SEG available each year for such purposes; and (2) reduce administrative expenses by \$300,000 SEG annually to make \$150,000 SEG available each year for such purposes. In order for the bill to correctly reflect the Governor's intent, additional funding of \$150,000 SEG annually from the veterans trust fund is required and is provided under this modification.

<u>Modification</u>	<u>SEG</u>
2003-05 FUNDING (Change to Bill)	\$300,000

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