



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #835

### **Overview of the Veterans Trust Fund (DVA -- General Agency Provisions)**

#### *Bill Agency*

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Senate Bill 40 (SB 40) contains several items that either modify funding levels for programs funded from the veterans trust fund or fund programs that have traditionally been funded from the veterans trust fund with alternative revenue sources.

As part of the Department of Veterans Affairs (DVA) requests for the 2005-07 biennial budget, the Department requested several modifications in an attempt to extend the period in which funds would be available from the veterans trust fund. The Department requested reductions in several trust fund supported appropriations and asked for means with which to generate more revenue.

Under 2005 Wisconsin Act 25 and 2005 Act 468, the Legislature approved several funding and program modifications that were intended to extend the time in which the trust fund would have positive cash balances, including: (a) specifying that the University of Wisconsin System and the Wisconsin Technical College System would remit 50% of all academic fees and segregated fees for the 2005-06 and 2006-07 academic years and 100% of all academic fees and segregated fees beginning with the 2007-08 academic year for qualified veterans [previously, the veterans trust fund was responsible for reimbursing tuition and fees for most of these students]; (b) specifying lifetime maximums for assistance to needy veterans, which includes health care aid grants and subsistence grants at \$5,000 and reducing the amount appropriated for the programs by \$1,359,300 SEG annually; (c) deletion of \$923,700 SEG and 16.70 SEG administrative positions previously funded from the veterans trust fund; (d) reducing the total amount of funding provided for the veterans assistance program by providing \$315,300 FED and -\$730,000 SEG in 2005-06 and \$359,900 FED and -\$730,000 SEG in 2006-07; (e) reducing the amount of funding available for retraining grants by \$186,000 SEG annually; (f) transferring funding for the military funeral honor stipends from veterans trust fund support to general fund support (\$175,500 GPR and -\$175,000 SEG annually); (g) specifying that issuance and

reissuance fees for veterans and military license plates would be deposited into the veterans trust fund rather than the transportation fund; (h) providing for a check-off box on state tax forms for individuals that want to make donations to the veterans trust fund; (i) providing \$111,500 PR and 1.0 PR position and deleting \$82,400 SEG and 1.0 SEG position annually to specify that the American Indian Services Coordinator and American Indian Grants would be funded from tribal gaming revenues rather than from the trust fund; and (j) providing \$300,000 GPR and -\$300,000 SEG for converting a portion of the Wisconsin Veterans Museum from trust fund supported to general fund supported. While these modifications had some positive impacts on Departmental revenues, the long-term impact was mitigated by the fact that expenditures continued to be in excess of generated revenues.

The Governor has recommended some additional adjustments related to the veterans trust fund, under SB 40. This paper outlines the current status of the fund, and provides estimates of the fund under the Governor's recommendations.

The veterans trust fund was created in 1961 through the consolidation of three predecessor funds: the soldiers rehabilitation fund; the post-war rehabilitation fund; and the veterans housing trust fund. The assets of the fund, as of June 30, 2006, amounted to \$78,086,700 and consisted of outstanding loans (\$39,570,300), cash and investments (\$29,044,500), the depreciated value of property and equipment (\$8,766,500), and miscellaneous accounts receivable and prepayments (\$705,400). The annual costs of agency administration and current program benefits paid from the fund must be supported from its available balances (cash and investments).

In 2005-06 there was a structural imbalance of \$1,008,300, which resulted in a drawdown of the fund's July 1, 2005, opening cash balance of \$30,052,800 to \$29,044,500 by June 30, 2006.

Table 1 shows the estimated 2006-07 expenditures (\$20,976,600 SEG) and the amounts that would be appropriated from the veterans trust fund under the Governor's SB 40 recommendations (\$25,681,800 SEG in 2007-08 and \$24,720,300 SEG in 2008-09).

**TABLE 1**  
**Programs Supported from the Veterans Trust Fund**

<u>Expenditure Purpose</u>	<u>2006-07 (est.)</u>	<u>SB 40 Appropriated Amounts</u>	
		<u>2007-08</u>	<u>2008-09</u>
Administration	\$3,940,900	\$5,647,400	\$5,611,400
Aid to Indigent Veterans	208,700	208,700	208,700
Cemetery Operations	646,700	694,700	699,800
Cemetery Debt Service	98,800	99,100	98,600
County Service Officer Grants	297,500	309,100	301,200
Education Grants	3,832,200	3,163,000	2,615,800
Feasibility Studies	0	375,000	0
Health Care Aid Grants	650,000	650,000	650,000
Minor Program Allocations <sup>a</sup>	12,500	12,500	12,500
Museum Operations	1,628,000	1,684,100	1,684,100
Nursing Grant Stipend <sup>b</sup>	43,700	43,700	43,700
Personal Loan Administration	150,000	150,000	150,000
Personal Loans	7,000,000	10,000,000	10,000,000
Retraining Grants	192,000	210,000	210,000
Subsistence Grants	172,000	172,000	172,000
Transportation Grants	200,000	200,000	200,000
Veterans Assistance Program	704,400	723,900	723,900
Veterans Assistance Program FED Per Diems	941,700	1,081,100	1,081,100
Veterans Assistance Program Receipts	80,000	80,000	80,000
Veterans Service Organization Grants	<u>177,500</u>	<u>177,500</u>	<u>177,500</u>
 Total Program Costs	 \$20,976,600	 \$25,681,800	 \$24,720,300

<sup>a</sup> Home for Needy Veterans program and Veterans of World War I program.

<sup>b</sup> Appropriated under the Department of Health and Family Services.

As shown in the table, the largest increases are related to administrative costs and increases in personal loans.

Under SB 40, the Department requested and the Governor recommended the transfer of a net \$2,248,400 and 17.6 SEG positions annually from the appropriations supported by the mortgage loan repayment fund. Under the bill, a net of \$892,700 PR and 9.18 PR positions annually would be transferred to appropriations supported by the Veterans Homes. The remaining \$1,355,800 SEG and 8.42 SEG positions annually would be transferred to appropriations supported by the veterans trust fund.

The personal loan program provides eligible veterans, unremarried spouses of veterans, or deceased veterans' children with multi-purpose, low-interest loans. Personal loans may be used for any purpose. A total of \$10,000,000 SEG was budgeted for personal loans in 2005-06 and in 2006-07 under a biennial appropriation. However, DVA issued only \$4.1 million in 2005-

06 and anticipates loans of \$7 million in 2006-07. The bill would not change the amounts authorized for expenditure (\$20 million SEG biennially) that DVA is currently authorized to loan, even though recent borrowing would make it unlikely that the full \$20 million would be issued in loans in 2007-09. An upturn in the economy or at least in the housing market could allow DVA to issue the full \$20 million in 2007-09. In addition, personal loan repayments represent a significant revenue to the trust fund. If the \$20 million were to be reduced, revenues to the fund might also be reduced.

Table 2 shows DVA's estimates of revenues for 2006-07, 2007-08, and 2008-09 under the Governor's recommendations.

**TABLE 2**

**Revenues of the Veterans Trust Fund**

<u>Revenue Source</u>	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Personal Loan Program	\$9,717,200	\$10,027,200	\$10,157,800
Transferred Mortgage Loan Portfolios	1,146,700	1,052,300	979,500
Predessor Loans	71,000	54,500	42,600
Servicing Fees	26,500	19,800	13,500
Museum Sales	99,600	101,600	103,600
Miscellaneous Revenues	318,600	318,500	318,500
Veterans Assistance Per Diems	748,900	1,161,100	1,221,600
Earnings on Investments	1,597,400	1,206,900	570,800
License Plate Fees and Tax Check-Offs	<u>150,000</u>	<u>175,000</u>	<u>200,000</u>
	\$13,875,900	\$14,116,900	\$13,607,900

Table 3 shows the beginning cash balance for each of these three fiscal years, the change in cash balances due to differences in revenues versus expenditures, and then the estimated year end cash balances. It should be noted that if these revenue estimates remain unchanged and the Department were to fully expend at the levels authorized under SB 40, the veterans trust fund cash balances would be insufficient by \$733,500 by the end of 2008-09.

**TABLE 3**

**Cash Balance of the Veterans Trust Fund**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Beginning Cash Balance	\$29,044,500	\$21,943,800	\$10,378,900
Total Revenues	\$13,875,900	\$14,116,900	\$13,607,900
Total Expenditures	<u>20,976,600</u>	<u>25,681,800</u>	<u>24,720,300</u>
Change to Cash Balance	-\$7,100,700	-\$11,564,900	-\$11,112,400
Ending Cash Balance	\$21,943,800	\$10,378,900	-\$733,500

In order to address the veterans trust fund cash deficit in 2007-09, the Committee may wish to consider several alternatives that would rectify the estimated balance.

**I. Transfer Funding Requirements**

1. Currently, there are several programs that are funded by the veterans trust but support activities at the Veterans Homes. Several of these issues are discussed in separate issue papers related to the DVA Homes. In addition to these items, the Committee could consider whether to fund the nurses stipend from Homes revenues rather than from the veterans trust fund.

2. Currently, \$43,700 SEG annually is provided to support a nurses education stipend program which provides stipends to individuals who are attending a school in order to obtain credentials necessary to become employed at the Veterans Home at King or the Southern Wisconsin Veterans Retirement Center at Union Grove. Recipients are required to work for DVA for one year for each year they receive a stipend. It could be argued that since these costs should be paid from the Homes appropriation rather than from the trust fund. It is estimated that the balance of the Veterans Homes institutional operations account will be approximately \$13 million at the end of the 2007-09 biennium.

**II. Position Deletions**

3. The Committee could consider deleting vacant positions supported by the veterans trust fund. A review of the Department's payroll system shows that there are 4.01 SEG positions (as affected by the Governor's recommendation) that have been vacant for more than a year within the administration of loans and aids to veterans appropriation. If these positions were deleted, the salary, fringe benefits and supplies and services for these positions could also be deleted, which would total \$243,100 SEG (\$159,400 for permanent salary, \$78,900 for fringe benefits and \$4,800 for supplies and services).

4. In several cases the 4.01 SEG positions that are identified above are administrative positions that are partially funded from several appropriations. For instance, DVA currently has 1.0

(all funds) information system data services position that has been vacant since January 2, 2006 and the position would be funded, under the bill, from three separate appropriations as follows: (a) \$3,800 PR and 0.05 PR position annually funded from the institutional operations appropriation; (b) \$25,800 SEG and 0.34 SEG position annually funded from the administration of loans and aids to veterans appropriation which is funded from the veterans trust fund; and (c) \$46,300 SEG and 0.61 SEG position from the mortgage loan repayment fund operation appropriation.

5. Table 4 shows the amounts that would be deleted from each appropriation under this alternative. This would total -\$106,100 PR and -1.82 PR position and -\$350,800 and -5.68 SEG positions annually.

**TABLE 4**

**Position Deletions (Annual Savings)**

<u>Title</u>	<u>Funding</u>	<u>Positions</u>	<u>Fund</u>
Facilities Operations - Veterans Homes	\$106,100	1.82	PR
Program Operations - Aids to Veterans*	243,100	4.01	SEG
Program Operations - Mortgage Loans	<u>107,700</u>	<u>1.67</u>	SEG
Total	\$456,900	7.50	

\*Supported by the veterans trust fund

**III. Reductions to Tuition Reimbursements**

6. Under 2005 Wisconsin Acts 25, the UW System Board of Regents and each technical college district boards is required to remit 50% of all academic fees and segregated fees and 100% of all nonresident tuition, minus any federal tuition reimbursement, for up to 128 credits or eight semesters, whichever is longer, for any student who meets the following qualifications: (a) is classified as a qualified veteran under Chapter 36 of the statutes; (b) is classified as a resident under Chapter 45 of the statutes; and (c) has entered or reentered service from Wisconsin. Under 2005 Wisconsin Act 468, the UW System Board of Regents and technical college district boards will be required to remit 100% of tuition and fees beginning with the 2007-08 academic year.

7. Resident veterans that are not eligible for remitted tuition from the UW System Board of Regents and or the technical college district boards are eligible for tuition and fee reimbursement from DVA, under the following credit reimbursement limitations: (a) 30 credits or two semesters would be reimbursable for 90 to 180 days of service; (b) 60 credits or four semesters would be reimbursable for 181 days to 730 days of service; and (c) 120 credits or eight semesters would be reimbursable for more than 730 days of service.

8. Reimbursements are made upon an eligible veteran's successful completion of a semester at any UW System institution or center, state technical college, private school approved by

the Educational Approval Board, private or public high school, or similar institution with a tuition reciprocity agreement with Wisconsin. The maximum reimbursement from DVA's education grant is the resident rate for undergraduate tuition and fees at UW-Madison for a similar number of credits.

9. Eligible veterans attending a UW System institution or a state technical college in 2005-07 biennium would potentially have 50% of their tuition and fees remitted by the institution and then receive a reimbursement from DVA for the remaining tuition and fees. However, beginning in 2007-08, the total amount will be remitted for certain veterans, which will reduce the amount of reimbursements required from the veterans trust fund.

10. Base level funding for the tuition reimbursement program is \$3,832,200 SEG annually, under a biennial appropriation. In its budget request, DVA estimated that reimbursements would decline by \$669,200 SEG in 2007-08 and \$1,216,400 SEG in 2008-09, which would result in expenditure authority of \$3,163,000 SEG in 2007-08 and \$2,615,800 SEG in 2008-09. These amounts are included in SB 40.

11. Following submittal of its budget request, DVA has experienced lower than expected reimbursement requests in 2006-07. Accordingly, the Department has recently reestimated expenditures for tuition grants and now projects that costs would be \$1,464,900 in 2007-08 and \$574,200 in 2008-09 lower than the amounts contained in the bill.

12. Under current law, the Department may adjust the rates of reimbursement based on the availability of appropriated funds, except for disabled veterans whose rate of reimbursement could not be reduced. This provision was included in the 2005-07 budget as a part of the Department's 10-year solvency plan in effort to bring the trust fund into balance. If Committee reduced the amounts appropriated for DVA tuition and fee reimbursements, and funding was insufficient, then the Department could pro-rate the remaining tuition and fee reimbursement requests. The Committee could chose to delete a majority of the estimated excess funding, but allow DVA to retain \$100,000 SEG, for the biennium, above the estimated need. Under this alternative, the Department could address unforeseen needs should they arise.

#### **IV. Reductions to Veterans Assistance Program Funds**

13. The veterans assistance program (VAP) provides assistance to homeless, incarcerated, and other groups of needy veterans. The purpose of the program is to establish regional centers to provide transitional housing for veterans and to assist needy veterans in receiving medical and dental care, educational support and employment services. Services provided include health care, federal and state veterans benefit information, education, job training, legal advice, basic financial counseling, and job location assistance.

14. All veterans who have served in the U.S. armed forces with other than a dishonorable discharge are eligible to participate in the VAP. There is no state residency requirement for this program. An assistance center may not provide services to the veteran's spouses

(unless the spouse is a veteran) or to his or her children. However, the VAP administrators will help the veteran's family obtain adequate housing while the veteran is in the program.

15. The funding provided under the veterans assistance appropriation is used to supplement the federal funding that is provided as per diems based number of days in which VAP services are provided to qualified veterans.

16. The Department is in the process of negotiating a contract with the Center for Veterans Issues that would make the Center the administrator of two of the facilities [at Union Grove and King]. Because the Center would have access to additional federal grants, due to the Center's not-for-profit status, DVA believes that operation of the program at these two facilities can be done without VAP subsidies, which would result in savings of \$450,000 SEG beginning in 2008-09.

17. The Department has stated that it would like to insure that the Center could operate the facility within these limitations before the amount provided under the statutes is reduced. However, given the limited funding available in the trust fund, the Committee could consider reducing the appropriation level. In the event that the Center cannot operate the program within the limitation of the contract and DVA must operate the programs at King and Union Grove, the Department could submit a supplement request under s. 13.10 of the statutes.

**ALTERNATIVES TO BILL**

The following alternatives are designed to bring the veterans trust fund into balance for the 2007-09 biennium. The Committee may select any or all of the alternatives.

1. Modify the bill by providing \$43,700 PR and -\$43,700 SEG annually and recreating the nurse stipend appropriation as a program revenue appropriation supported from the medical assistance payments for institutional operations at the Veterans Homes rather than from the veterans trust fund.

<b>ALT 1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
PR	\$87,400	\$87,400
SEG	<u>- 87,400</u>	<u>- 87,400</u>
Total	\$0	\$0

2. Delete \$106,100 PR and 1.82 PR positions \$350,800 SEG and 5.68 SEG positions annually as follows: (a) -\$238,300 SEG for salaries and fringe benefits and -\$4,800 SEG for supplies and services annually for 4.01 SEG positions annually under the administration of loans and aids to veterans appropriation; (b) -\$103,900 PR for salaries and fringe benefits and -\$2,200 PR for supplies and services annually for -1.82 PR position annually under the Veterans Homes institutional operations appropriation; and (c) -\$105,700 SEG for salaries and fringe benefits and



-\$2,000 SEG for supplies and services annually for -1.67 SEG positions annually under the administration of the mortgage loan repayment fund appropriation.

ALT 2	Change to Bill		Change to Base	
	Funding	Positions	Funding	Positions
PR	-\$212,200	- 1.82	-\$212,200	- 1.82
SEG	<u>- 701,600</u>	<u>- 5.68</u>	<u>- 701,600</u>	<u>- 5.68</u>
Total	-\$913,800	- 7.50	-\$913,800	- 7.50

3. Modify the Governor's recommendation by reducing an additional \$1,364,900 SEG in 2007-08 and \$574,200 SEG in 2008-09 from the Department's tuition reimbursement appropriation to reflect current estimates of anticipated need.

ALT 3	Change to Bill	Change to Base
	Funding	Funding
SEG	-\$1,939,100	-\$1,939,100

4. Modify the Governor's recommendation by deleting \$450,000 SEG 2008-09 from the veterans assistance program appropriation.

ALT 4	Change to Bill	Change to Base
	Funding	Funding
SEG	-\$450,000	-\$450,000

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