



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #830

### Veterans Trust Fund (Miscellaneous Appropriations and Veterans Affairs)

[LFB 2023-25 Budget Summary: Page 423, #1 and Page 675, #2]

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#### CURRENT LAW

The veterans trust fund (VTF) is a segregated fund that supports most of the grant and benefits programs administered by the Department of Veterans Affairs (DVA). For much of its early history, the main sources of revenues to the VTF had been transfers from other funds, including the general fund, the veterans mortgage loan repayment fund (now defunct), and the deposit of net proceeds from the sale of mortgage loan assets.

In the 1990s and early 2000s, the VTF received significant revenue from repayments of loans under the veterans personal loan program, which is no longer operating. As these loan repayments decreased due to reduced loan activity, the fund became increasingly dependent on revenue transfers from other sources. Between 2007 and 2019, the fund received a series of transfers, totaling \$56.1 million, from program revenues DVA collected from operating the state veterans homes, and \$10.3 million from the state's general fund.

2019 Wisconsin Act 9 (the 2019-21 biennial budget act) established an ongoing, sum sufficient GPR appropriation to make transfers to the VTF and authorized the Department of Administration to make such transfers as necessary to support appropriations funded from the segregated trust fund, beginning in 2019-20.

#### DISCUSSION POINTS

1. The current method of funding grant and benefits programs administered by DVA is unnecessarily complex because the VTF is supported almost entirely from GPR supplements. Unlike other segregated funds, such as the transportation or conservation funds, DVA does not assess license fees or other user fees to support its programs. For this reason, nearly all SEG expenditures from the VTF are, in practice, GPR-supported expenditures.

2. Further, all changes in appropriations for DVA's SEG-funded programs affect the amount of the GPR supplements DOA must transfer to the VTF in order to maintain positive balances in the trust fund. For example, an increase in funding for DVA's funeral and cemetery programs requires not only an increase in the SEG appropriation that funds these programs, but also requires a corresponding increase in the GPR supplements appropriation to ensure that there is sufficient revenue to support the SEG funding increase. Consequently, nearly all SEG-supported expenditures are double-counted in the appropriation schedule in each budget act.

3. The current funding mechanism requires the Administration to estimate the amount of the annual GPR supplemental payments that will be transferred annually as part of the biennial budget act. This requires tracking DVA's SEG spending authority and estimating annual lapses from the SEG appropriations.

4. DVA routinely lapses funding from several of its SEG appropriations at the end of each fiscal year. For example, in 2021-22, DVA was budgeted \$8,424,500 SEG and 69.67 positions to support the administration of its grant and aids programs. In that year, DVA carried forward \$105,800 from the previous year, expended \$6,546,300 from the appropriation, encumbered \$253,300, and lapsed \$1,730,700, or 20.5% of the 2021-22 appropriation amount. In 2021-22, DVA was budgeted \$820,000 to fund health benefits under DVA's assistance to needy veterans program, but expended only \$56,000 from the appropriation, or less than 7% of the amount budgeted.

5. Table 1 summarizes the Administration's estimates of revenue, expenditures and balances in the VTF for the 2023-25 biennium under AB 43/SB 70.

**TABLE 1**  
**Veterans Trust Fund Revenue, Expenditures and Balances**  
**AB 43/SB 70**

	<u>2023-24</u>	<u>2024-25</u>	<u>2023-25</u>	2023-25 Percent of <u>Total</u>
Opening Balance	\$1,744,300	\$1,211,700		
Revenue				
VTF	\$350,000	\$350,000	\$700,000	1.9%
GPR Transfer	<u>18,250,000</u>	<u>18,000,000</u>	<u>36,250,000</u>	<u>98.1</u>
Total	\$18,600,000	\$18,350,000	\$36,950,000	100.0%
Total Available	\$20,344,300	\$19,561,700		
Expenditures				
DVA Appropriations	\$24,632,600	\$24,991,500	\$49,624,100	128.5%
Lapse	<u>-5,500,000</u>	<u>-5,500,000</u>	<u>-11,000,000</u>	<u>-28.5</u>
Net Expenditures	\$19,132,600	\$19,491,500	\$38,624,100	100.0%
Year End Balance	\$1,211,700	\$70,200		

6. Table 1 shows that:

- In the 2023-25 biennium, the Administration estimates that GPR supplements will account for more than 98% of the total revenue to the VTF.

- In the 2023-25 biennium, DVA is budgeted \$49.6 million SEG from the VTF, but DOA estimates that DVA will lapse an estimated \$11.0 million, approximately 28% of the funding budgeted in its appropriations.

7. Budgeting amounts that significantly exceed actual program costs and estimating lapses from these appropriations misrepresents actual program activity, and provides the Department greater flexibility to fund unbudgeted costs than the agency would otherwise have.

8. In order to budget DVA's programs in a manner more similar to other state agencies, the Committee could simplify DVA's appropriation structure by repealing the veterans trust fund and modifying SEG-supported appropriations as follows:

(a) Converting 21 of DVA's SEG appropriations to GPR appropriations, and converting the SEG positions authorized in these appropriations to GPR positions;

(b) Repealing the GPR appropriation that provides supplements to the VTF;

(c) Converting three SEG appropriations that receive dedicated revenues to PR appropriations that DVA would use to fund these appropriations' current purposes;

(d) Repealing one obsolete SEG appropriation;

(e) Retitling and converting two SEG-FED appropriations to FED appropriations;

(f) Transferring any balances in the affected appropriations to the new appropriations; and

(g) Crediting all revenues that are currently deposited in the VTF, including fees collected for veteran-themed special vehicle registration plates, to the program revenue account for the veterans homes.

9. Attachment 1 lists the SEG DVA appropriations currently supported by the VTF, the amounts expended from each of these appropriations in 2021-22, the adjusted base funding for these appropriations, and standard budget adjustments for these appropriations for the 2023-25 biennium. Note that the appropriation that funds the assistance to needy veterans program under s. 20.485(2)(vm) supports two programs that DVA budgets separately--subsistence payments and health care services provided to veterans--so the attachment lists each of these programs separately. Under Alternative 1, these appropriations would be converted from SEG to GPR appropriations.

10. Attachment 2 indicates other changes that would be made to each of these appropriations under the option outlined in Discussion Point 8.

11. As shown in Table 1, the Administration estimates that, in total, \$5.5 million will lapse from the SEG appropriations in each year of the 2023-25 biennium, which is approximately

\$1,343,800 greater than the underspending from VTF appropriations in 2021-22 (\$4,156,200). On May 2, 2023, the Committee adopted Motion 106 that included a reestimate of the sum sufficient GPR supplemental appropriation transfer to the VTF in each year of the 2023-25 biennium to be \$15,100,000 in 2023-24 and \$14,400,000 in 2024-25. If the Committee chooses to simplify budgeting for DVA's SEG-supported appropriations, as described in the Discussion Point 8 and the Attachment, the sum sufficient appropriation would be repealed, which would partially offset the GPR cost of converting the current SEG appropriations to GPR appropriations.

12. The GPR increase shown in the box for Alternative 1 reflects that the new GPR appropriations for DVA would be funded at the same (base) budgeted levels as the current SEG appropriations. Also, based on the 2021-22 actual lapses and underspending from these appropriations (\$4.2 million), it can be estimated the \$3.5 million in 2023-24 and \$4.0 million in 2024-25 would lapse from the new GPR appropriations. In summary, under Alternative 1, there would be a slight effect on the general fund (\$53,800), an increase of \$572,800 PR and a SEG decrease of \$37,626,600.

## ALTERNATIVES

1. Repeal the veterans trust fund and the GPR appropriation that funds transfers from the general fund to the VTF (-\$15,100,000 GPR in 2023-24 and -\$14,400,000 GPR in 2024-25).

Modify DVA SEG appropriations funded from the VTF, as shown in Attachments 1 and 2, by: (a) converting 21 SEG appropriations to GPR appropriations, beginning in 2023-24 (\$18,512,500 GPR and -\$18,512,500 SEG in 2023-24 and \$18,541,300 GPR and -\$18,541,300 SEG and in 2024-25) and converting 98.12 SEG positions to GPR positions, beginning in 2023-24; (b) converting 3.0 SEG appropriations to PR appropriations, beginning in 2023-24 (\$286,400 PR and -\$286,400 SEG annually); (c) repealing an unfunded appropriation; and (d) re-designating two SEG-F positions to FED positions, beginning in 2023-24. Increase estimates of GPR lapses by \$3.5 million in 2023-24 and by \$4.0 million in 2024-25.

ALT 1	Change to Base	
	Funding	Positions
GPR	\$7,553,800	98.12
PR	572,800	00.00
SEG	- 37,626,600	- 98.12
Total	- \$29,500,000	00.00
GPR-Lapse	\$7,500,000	

2. Take no action.

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Attachments

# ATTACHMENT 1

## DVA SEG Appropriations

### Convert to GPR under Alternative 1

Appropriation	Title	2021-22 Expenditures	2023-24			2024-25			2021-22 Underspending	
			Standard Budget Base	Standard Budget Adjustments	Standard Budget Total	Base Positions	Standard Budget Adjustments	Standard Budget Total		Base Positions
(2)(qm)	Veterans employment and entrepreneurship grants	\$432,016	\$500,000	\$0	\$500,000	0.00	\$0	\$500,000	0.00	\$67,984
(2)(qs)	Veterans outreach and recovery program	1,278,990	1,609,500	-28,600	1,580,900	14.75	-28,600	1,580,900	14.75	280,357
(2)(rm)	Veterans assistance program	612,750	662,900	-5,400	657,500	1.25	-5,400	657,500	1.25	39,861
(2)(rn)	Fish and game vouchers	344	15,000	0	15,000	0.00	0	15,000	0.00	14,656
(2)(s)	Transportation payment	300,000	300,000	0	300,000	0.00	0	300,000	0.00	0
(2)(sm)	Military funeral honors	342,750	304,500	0	304,500	0.00	0	304,500	0.00	11,750
(2)(tf)	Veterans tuition reimbursement	11,044	486,800	0	486,800	0.00	0	486,800	0.00	592,356
(2)(tj)	Retraining assistance program grants	21,000	210,000	0	210,000	0.00	0	210,000	0.00	189,000
(2)(u)	Administration of loans and aids to veterans	6,546,274	8,837,700	-173,700	8,664,000	69.67	-144,900	8,692,800	69.67	1,730,716
(2)(vm)*	Assistance to needy veterans -- subsistence grants	15,971	100,000	0	100,000	0.00	0	100,000	0.00	84,029
(2)(vs)	Grant to Camp American Legion	75,000	75,000	0	75,000	0.00	0	75,000	0.00	0
(2)(vu)	Grants for tribal veterans service officers	48,800	48,800	0	48,800	0.00	0	48,800	0.00	0
(2)(vw)	Payments to veterans organizations for claim services	248,119	348,000	0	348,000	0.00	0	348,000	0.00	99,881
(2)(vx)	County veterans service office grants	832,150	837,200	0	837,200	0.00	0	837,200	0.00	5,050
(2)(yn)	Veterans trust fund loans and expenses	5,852	50,000	0	50,000	0.00	0	50,000	0.00	44,148
(2)(yo)	Debt payment on bonds issued for veterans loans	0	0	0	0	0.00	0	0	0.00	0
(2)(vm)*	Assistance to needy veterans -- health care	56,015	720,000	0	720,000	0.00	0	720,000	0.00	663,985
(4)(qm)	Repayment of principal and interest -- cemeteries	753	200	0	200	0.00	0	200	0.00	47
(4)(r)	Cemetery energy costs	70,836	106,300	0	106,300	0.00	0	106,300	0.00	35,464
(5)(tm)*	Museum facilities -- facility improvements	0	52,800	0	52,800	0.00	0	52,800	0.00	0
(5)(vo)	Veterans of World War I -- educational materials	495	2,500	0	2,500	0.00	0	2,500	0.00	2,005
(5)(wd)	Operation of the Wisconsin Veterans Museum	<u>3,419,900</u>	<u>3,452,400</u>	<u>600</u>	<u>3,453,000</u>	<u>12.45</u>	<u>600</u>	<u>3,453,000</u>	<u>12.45</u>	<u>294,932</u>
Total		\$14,319,058	\$18,719,600	-\$207,100	\$18,512,500	98.12	-\$178,300	\$18,541,300	98.12	\$4,156,223

\*The veterans assistance program under s. 45.40 of the statutes and funded from the appropriation under s. 20.485(2)(vm) has two components that are budgeted separately -- subsistence aid and health care.

\*\* This appropriation is a continuing appropriation, and does not lapse money at the end of each fiscal year. At the end of 2021-22, the appropriation balance was \$365,908.



## ATTACHMENT 2

### Other Appropriation Changes

#### Under Alternative 1

<u>Appropriation</u>	<u>Title</u>	<u>2021-22</u>	<u>2023-24</u>			<u>2024-25</u>			
		<u>Expenditures</u>	<u>Base</u>	<u>Standard Budget Adjustments</u>	<u>Total</u>	<u>Base Positions</u>	<u>Standard Budget Adjustments</u>	<u>Total</u>	<u>Base Positions</u>
<b>1. Convert the following appropriations from SEG to PR</b>									
(2)(rp)	Veterans assistance program receipts	\$146,000	\$115,500	\$0	\$115,500	0.00	\$0	\$115,500	0.00
(2)(z)	Gifts	163	0	0	0	0.00	0	0	0.00
(5)(v)	Museum sales receipts	<u>170,900</u>	<u>170,900</u>	<u>0</u>	<u>170,900</u>	<u>0.00</u>	<u>0</u>	<u>170,900</u>	<u>0.00</u>
Total		\$317,063	\$286,400	\$0	\$286,400	0.00	\$0	\$286,400	0.00
<b>2. Repeal the following (unfunded) appropriation</b>									
(2)(tm)	Facilities (other than the Veterans Museum)	\$0	\$0	\$0	\$0	0.00	\$0	\$0	0.00
<b>3. Convert the following SEG-F appropriations to FED</b>									
(2)(x)	Federal per diem payments	\$1,834,055	\$1,343,600	\$0	\$1,343,600	0.00	\$0	\$1,343,600	0.00
(2)(m)	Federal payments; federal assistance	<u>0</u>	<u>434,700</u>	<u>10,000</u>	<u>444,700</u>	<u>3.00</u>	<u>10,000</u>	<u>444,700</u>	<u>3.00</u>
Total		\$1,834,055	\$1,778,300	\$10,000	\$1,788,300	3.00	\$10,000	\$1,788,300	3.00