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General Fund Supplement to the Veterans Trust Fund (Miscellaneous Appropriations and Veterans Affairs)

[LFB 2019-21 Budget Summary: Page 291, #2 and Page 445, #2]

CURRENT LAW

The veterans trust fund (VTF) is a segregated fund that supports programs benefiting Wisconsin veterans and their families, and promoting interests of veterans. The fund receives revenues from various sources, including repayments of loans the Department of Veterans Affairs (DVA) made under the personal loan program, federal grants, and receipts from sales at the Wisconsin Veterans Museum. In 2017-18, the VTF had total revenues of $12.8 million, an amount that includes a $12.5 million transfer from uncommitted revenue in the program revenue appropriation for the state veterans homes. DVA is authorized to transfer uncommitted revenue from the state veterans homes to the VTF and the veterans mortgage loan repayment fund. In 2018-19, the Department transferred an additional $14.5 million under this authority.

VTF expenditures totaled $13.6 million in 2017-18. Although this amount exceeded VTF revenue for that year, the fund had an opening balance of $2.6 million, sufficient to support total expenditures for that year.

GOVERNOR

Effective July 1, 2020, modify a current appropriation that authorizes the transfer of general fund revenues to the veterans trust fund as follows: (a) convert it from a sum certain appropriation to a sum-sufficient appropriation and specify that its purpose is to supplement the VTF if the VTF contains insufficient moneys, as determined by the Secretary of the Department of Administration; (b) transfer the appropriation from DVA to Miscellaneous Appropriations; and (c) provide $15,800,000 GPR in 2020-21 as an estimate of the amount of this transfer.

DISCUSSION POINTS

1. Most veterans benefit programs administered by the state Department of Veterans Affairs are funded from the veterans trust fund. Historically, loan repayments under the personal loan program were the primary ongoing source of revenues for the fund. However, due to a depletion in the amount of trust fund revenue available to make new loans, as well as a decrease in the demand for new loans, the Department stopped issuing new loans in 2011. Accordingly, loan repayment revenue has declined and is no longer a significant source of revenue.

2. Due to declining annual revenues, the VTF has been reliant in recent years on one-time transfers from unappropriated balances in the program revenue account for the state veterans homes to maintain a positive balance. The following table shows these since from 2015-16.

Fiscal Year	Transfer
2015-16	$12,000,000
2016-17	9,000,000
2017-18	12,500,000
2018-19	14,500,000
Total	$48,000,000

3. At the time that transfers began, the state veterans homes PR account had a substantial unappropriated balance, in excess of $50 million. Over time, however, this balance has declined and can no longer be considered a reliable source of revenue for the VTF. DVA projects that the balance will be $14.4 million at the end of 2018-19, which would be equivalent to less than two months of the operating budget for the homes.

4. The decline in the unappropriated balance in the state veterans homes PR account is due in large part to the transfers to the VTF, but also is due to a decline in the number of residents at the King Veterans Home. Whereas there were 690 residents at King at the start of 2016-17, that number declined to 542 at the end of May of 2019. When the King Home was at or near full capacity, the amount of revenue generated from all sources, including Medicaid, member payments, and federal per diem payments, exceeded costs. However, with fewer beds filled, the amount of revenue that the homes generate has declined, and expenses at the King Home are now projected to exceed revenues.

5. In order to replace the transfers from the state veterans homes, the bill would establish a GPR appropriation for making transfers to the VTF, effectively making the general fund the primary source of ongoing revenue for veterans benefit programs. Since it appears unlikely that the veterans homes could be a continuing source of revenue for the VTF in the near term, the Committee could decide that establishing a GPR appropriation to support the VTF is necessary (Alternative 1).

6. The GPR appropriation for the VTF supplement would first apply in 2020-21. The administration assumed that the fund would require one additional transfer from the state veterans homes in 2019-20, estimated at $13.8 million, to remain solvent in that year. However, due in part to

continued decreases in the number of residents at the King Home, and the fact that the current PR balance is already less than two months of operating expenses, it now appears that there may not be a sufficient PR balance to make a full transfer in that year. Based on current revenue and expenditure projections, DVA projects that the PR account would have a deficit in excess of $10 million at the end of 2019-20 if the Department were to make a transfer to the VTF in that year. In light of this, the, the Committee may decide that it is necessary to begin the GPR transfer to the VTF in 2019-20 (Alternative 2). Under this alternative, the GPR transfer would be estimated at $13,800,000 in that year.

ALTERNATIVES

1. Approve the Governor's recommendation to establish a GPR appropriation for making a transfer to the veterans trust fund, beginning in 2020-21, and estimate the transfer at $15,800,000 in that year

ALT 1	**Change to**	
	Base	**Bill**
GPR	$15,800,000	$0

2. Modify the Governor's recommendation by beginning the GPR transfers in 2019-20 and estimate the transfer at $13,800,000 in that year.

ALT 2	**Change to**	
	Base	**Bill**
GPR	$29,600,000	$13,800,000

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