



Legislative Fiscal Bureau

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April 29, 2009

Joint Committee on Finance

Paper #822

Veterans Trust Fund Foundation Feasibility Study (DVA -- General Agency Provisions)

[LFB 2009-11 Budget Summary: Page 671, #18]

CURRENT LAW

No provision.

GOVERNOR

Provide funding of \$100,000 SEG in 2009-10 to do the following: (a) hire independent legal counsel to assess options under the federal tax code for establishing a veterans trust fund foundation; and (b) contract with a consultant to assess fund raising potential. Provide \$150,000 SEG in 2010-11 to hire legal consultants to establish the foundation. Funding would be provided from the Veterans Trust Fund.

DISCUSSION POINTS

1. The Governor's recommendation would provide \$100,000 SEG in 2009-10 to conduct a feasibility study on whether a Veterans Trust Fund foundation could be established.
2. The Department indicates that the feasibility study would be used for the following: (a) development of a prospectus that would state the benefits of supporting veterans benefits and services; (b) use focus groups to test the prospectus; (c) conduct a philanthropic market study to determine fund-raising feasibility; and (d) report on those findings.
3. Pending the outcome of the study, and DVA Board approval, \$150,000 SEG in 2010-11 would be expended in contracting with private legal counsel for establishing the foundation. This funding would be provided under unallotted reserves. The Department states that if

this initiative proceeded, that DVA would request funding in the 2011-13, biennial budget for seed money for the foundation.

4. Amounts donated to the Veterans Trust Fund foundation would not be deposited into the segregated-veterans trust fund. Instead, the Department would receive and expend revenues outside of the state budget process. It is likely that the foundation guidelines would state who would control the assets of the foundation.

5. In 2004-05, the Department paid \$42,900 SEG from the veterans trust fund to hire Campbell and Company as a consultant to do a preliminary assessment of fund raising for Department activities. Campbell and Company reported that due to the Department's largely self-supporting nature and the shrinking long-term availability of veterans trust fund revenues that it is important to develop private philanthropy opportunities.

6. The Department currently maintains several ways in which individuals may donate for state veterans programs, including gifts and grants appropriations for the veterans trust fund, the veterans homes, the veterans museum and the veterans cemeteries, a tax check-off for the veterans trust fund, and the Veterans Museum foundation.

7. Currently, the Wisconsin Veterans Museum Foundation uses revenues to support special programs, new exhibits, and Museum events. In 2007-08, this foundation received \$188,100 in donations.

8. In the case of the veterans trust fund check-off for state income tax returns, there have been declining revenues since the initial year (tax year 2005) in which \$133,600 was donated to the fund. For tax year 2007, \$102,200 was donated. These donations are deposited into the veterans trust fund.

9. Given, that the Museum Foundation has received a total of \$555,200 in donations over the last three years, it could be argued that there could be a fairly reasonable return on the initial investment. However, the creation of a second veterans' foundation could reduce the donations to the Museum Foundation or other veterans programs.

10. It could also be argued that state funds should not be used to provide funding for a private foundation where the receipt and expenditure of funds would not be reviewed and approved by the Legislature.

11. Further, it could be questioned as to whether this proposal is a wise use of limited veterans trust fund resources. The establishment of the foundation would cost an estimated \$250,000 SEG in 2009-11 and additional funding would likely be requested to promote the foundation.

12. If the Committee believes that it is unlikely that there will be a significant return on this investment or that state funds should not be provided for the development of a privately controlled fund, it could delete the Governor's recommendation.

13. On the other hand, successful establishment of a veterans trust und foundation could help provide assistance to veterans. Further, while it may take several years to see a return on the investment, the potential for long-term build-up of the fund or receipt of large philanthropic donations could bring a significant long-term benefit to veterans.

14. Finally, it could be argued that having a foundation established outside of the state's budget would ensure that the fund would not be subject to lapses to the general fund or other non-veteran uses that would discourage donations to the foundation.

15. If the Committee wishes to approve funding, it may wish to specify that the funding be approved on a one-time basis. The agency request and the Governor's Executive Budget Book indicate that the funding would be one-time in nature. However, funding provided for the feasibility study (\$100,000 SEG in 2009-10) would be provided under supplies and services, and funding for potential establishment of the foundation (\$150,000 SEG in 2010-11) would be provided under unallotted reserves to potentially be released by DOA. If one-time funding is provided in 2009-11, it would be deleted as a non-continuing element of standard budget adjustments for the 2011-13 budget.

16. If the Committee wishes to approve the feasibility study, but wishes to base approval of establishing the foundation on the results of the study, it could approve \$100,000 SEG in 2009-10 for the feasibility study and place \$150,000 SEG in 2010-11 in the Joint Committee on Finance's SEG supplement appropriation, pending a review of the feasibility study. Based on the review, the Committee could release funds under s. 13.10

ALTERNATIVES

1. Approve the Governor's recommendation to provide \$100,000 SEG in 2009-10 to assess the feasibility of establishing a foundation for the veterans trust fund and \$150,000 SEG in 2010-11 to hire legal consultants to establish the foundation.

2. In addition to Alternative 1, specify that funding would be provided on a one-time basis.

3. Provide \$100,000 SEG in 2009-10 to assess the feasibility of establishing a foundation for the veterans trust fund. Provide \$150,000 SEG in 2010-11, in the Joint Committee on Finance's segregated supplemental appropriation, for potential costs to hire legal consultants to establish the foundation.

4. Delete the Governor's recommendation.

ALT 4	Change to Bill
SEG	- \$250,000

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