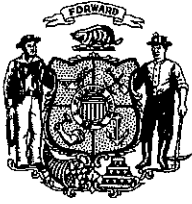


Veterans Affairs

(LFB Budget Summary Document: Page 523)

LFB Summary Items for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1 (part)	Standard Budget Adjustments (Paper #700)
2, 5, 7, & 13	Veterans Trust Fund Condition Statement and Other Related Items (Paper #701)
9	Eliminate Long-Term Vacancies (Paper #702)
14	Grant to Global Entrepreneurship Collective, Inc. (Formally Vettransfer) (Paper #703)
17	Assistance for Needy Veterans Program Eligibility (Paper #704)
18	Military Funeral Honors Eligibility (Paper #705)
-	Tribal College Reimbursement Program (Paper #706)



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 17, 2015

Joint Committee on Finance

Paper #700

Standard Budget Adjustments (Veterans Affairs)

[LFB 2015-17 Budget Summary: Page 523, #1]

CURRENT LAW

For the purposes of preparing each biennial budget, the Department of Administration develops budget instructions for agencies to use in their budget requests. Budget instructions include procedures for calculating various "standard budget adjustments" that apply a formula-based increase or decrease to base funding levels in recognition of expected changes in operational costs. Among these adjustments is a decrease to reflect anticipated salary savings due position turnover during the course of the year. According to DOA's instructions, for any appropriation with at least 50 positions, agencies are required to reduce the base appropriation by 3% of permanent position salaries to reflect position turnover. Typically, turnover adjustments, as well as other standard budget adjustments, are included in the executive budget bill.

GOVERNOR

No adjustments were made for turnover reduction in Department of Veterans Affairs appropriations.

DISCUSSION POINTS

1. The Department of Administration's budget instructions require all agencies to apply a 3% turnover reduction to all appropriations with at least 50 positions. In addition, the instructions include the following directive: "If an agency believes it cannot take the required turnover reduction without adverse programmatic impact, it should take the standard budget reduction and may then propose turnover add back in a stand-alone decision item, subject to normal budget limitation policies."

2. The Department has two appropriations with more than 50 positions. The institutional operations appropriation for the state veterans homes has 1,151.7 PR positions, and the Department's appropriation for the administration of loans and grants has 58.2 SEG positions. The Department did not include a turnover reduction adjustment for either appropriation in its budget request and the administration also decided not to include such an adjustment in the budget bill.

3. Although DOA's budget instructions do not provide any exceptions to the turnover reduction adjustment, it has sometimes been the practice to apply a smaller turnover reduction percentage to appropriations that fund institutions that require 24-hour staffing. A smaller adjustment, commonly 2%, is sometimes requested on the grounds that facilities such as nursing homes, prisons, and hospitals must fill vacancies more rapidly than other state agency functions in order to minimize the use of overtime hours used for 24-hour staffing. As an example, the bill would apply a 2% turnover reduction adjustment for several of the Department of Corrections and Department of Health Services appropriations that involve 24-hour staffing.

4. Other institutions that require 24-hour staffing received a 3% turnover adjustment. The Department of Public Instruction's appropriations were adjusted to reflect a 3% turnover reduction in the appropriation for the Wisconsin Center for the Blind and Visually Handicapped and the Wisconsin School for the Deaf. [A portion of this adjustment was reallocated to other DPI appropriations as is allowed under DOA's budget instructions.]

5. The two DVA appropriations that have over 50.0 positions have generally had vacancy rates between 6% and 9% during 2014-15, which is far in excess of the 3% standard used for the turnover adjustment.

6. Although a lower turnover rate has sometimes been applied to appropriations that fund 24-hour facilities, this has not been the practice for other appropriations. The Department's appropriation for the administration of loans and grants, for which no turnover reduction was applied, does not involve funding for 24-hour facilities. Applying the 3% turnover reduction to this appropriation would reduce funding in that appropriation by \$84,500 SEG annually [Alternative A2].

7. If it is decided that the 2% turnover policy applied to DHS and Corrections institutions should also be applied to DVA's appropriation for state veterans homes, that appropriation should be reduced by \$1,000,400 PR annually [Alternative B2].

8. The 2013-15 biennial budget applied a 1% turnover adjustment to state veterans home appropriation. As an alternative to a 2% turnover adjustment, the Committee could again apply a 1% turnover adjustment for the 2015-17 biennium [Alternative B3]. Under this alternative, the state veterans home appropriation would be reduced by \$500,200 annually.

ALTERNATIVES

A. Turnover Reduction -- Administration of Loans and Grants Appropriation

1. Approve the Governor's recommendation to not include a turnover adjustment to the

Department of Veterans Affairs' appropriation for the administration of loans and grants.

2. Modify the Governor's recommendation by reducing the administration of loans and grants appropriation by \$84,500 SEG annually, which would apply a 3% turnover reduction adjustment.

ALT A2	Change to Bill
SEG	- \$169,000

B. Turnover Reduction -- State Veterans Homes Institutional Operations Appropriation

1. Approve the Governor's recommendation to not include a turnover adjustment to the Department of Veterans Affairs' appropriation for state veterans homes institutional operations.

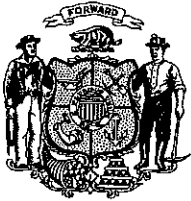
2. Modify the Governor's recommendation by reducing the state veterans homes institutional operations appropriation by \$1,000,400 PR annually, which would apply a 2% turnover reduction adjustment.

ALT B2	Change to Bill
PR	- \$2,000,800

3. Modify the Governor's recommendation by reducing the state veterans homes institutional operations appropriation by \$500,200 PR annually, which would apply a 1% turnover reduction adjustment.

ALT B3	Change to Bill
PR	- \$1,000,400

Prepared by: Jon Dyck



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 17, 2015

Joint Committee on Finance

Paper #701

Veterans Trust Fund Condition and Other Related Items (Veterans Affairs)

[LFB 2015-17 Budget Summary: Page 523, #2, Page 524, #5, Page 525, #7, and Page 527, #13]

CURRENT LAW

The veterans trust fund (VTF) is a segregated fund for the support of programs benefiting Wisconsin veterans and their families, and for promoting interests of veterans. The fund receives revenues from various sources, including repayments of loans made under the personal loan program, federal grants, and receipts from sales at the Wisconsin Veterans Museum. In 2013-14, the VTF had total revenues of \$4.0 million (excluding a \$5.3 million transfer from the general fund) and total expenditures of \$11.9 million.

The veterans mortgage loan repayment fund (VMLRF) is a segregated fund for the administrative expenses related to the veterans primary mortgage loan program and the home improvement loan program and for debt service payments on bonds issued for making loans under those programs. Revenues are derived from loan repayments. In 2013-14, the VMLRF had total revenues of \$24.7 million and total expenditures of \$29.7 million.

GOVERNOR

Veterans Trust Fund Condition Statement. The following table shows the fund condition statement for the veterans trust fund, reflecting fund appropriations under the bill and estimated revenues during the 2015-17 biennium.

Estimated Veterans Trust Fund Condition, AB 21/SB 21

	<u>2015-16</u>	<u>2016-17</u>
Opening Balance, July 1	\$1,414,600	\$0
Revenues	<u>2,990,000</u>	<u>2,766,100</u>
Total Available	\$4,404,600	\$2,766,100
Appropriations	\$18,394,200	\$19,411,200
Ending Balance, June 30	-\$13,989,600	-\$16,645,100

Veterans Employment Grant Program. Provide \$500,000 annually to reflect the transfer of the veterans employment grant program from the Department of Workforce Development (DWD) to the Department of Veterans Affairs.

Veterans Education Grant Funding. Reduce funding by \$750,000 in 2015-16 for the veterans tuition reimbursement program, to reflect a reduction in the demand for reimbursement under the program.

Transfer Mortgage Loan Administration Functions to DVA's General Loan and Grant Administration Appropriation. Reduce funding by \$3,180,500 SEG and eliminate 33.05 SEG positions, beginning in 2015-16, in the general program operations appropriation for the veterans mortgage loan program, and provide corresponding SEG funding and position increases in the Department's appropriation for administration of loans and aids to veterans to reflect a transfer of the responsibility for some of the administrative costs of the veterans mortgage loan programs.

DISCUSSION POINTS

1. As shown in the veterans trust fund condition table above, VTF fund expenditures are expected to exceed fund revenues in each year of the biennium. Although this results in a projected negative ending fund balance beginning in both years, DVA indicates that some combination of actions to increase revenues or decrease expenditures will be taken to maintain a positive balance. Reflecting this assumption, the table shows an opening balance of \$0 for the 2016-17 fiscal year. This paper provides background on the recent history of budget management measures related to the VTF, including the transfer of PR appropriation balances from the state veterans homes appropriations, discusses a provision in the bill related to the veterans mortgage loan repayment fund and its effect on VTF expenditures, describes some adjustments that could be made to VTF appropriations, and provides some alternative measures related to maintaining VTF solvency.

Veterans Trust Fund and State Veterans Homes Appropriation Balances

2. The veterans trust fund has some sources of ongoing revenues, but the Legislature has relied primarily on one-time transfers from other sources to maintain the solvency of the fund over the past two decades. In recent years, there have been transfers from the general fund of \$5.0 million in 2011-12 and \$5.3 million in 2013-14 and transfers from unappropriated PR balances from

the appropriations for the state veterans homes of \$1.1 million in 2006-07 and \$7.0 million in 2008-09.

3. During the 1990s, the Legislature approved several transfers of assets to the VTF consisting of veterans loan portfolios and the proceeds from the sale of loan portfolios, as well as cash from the veterans mortgage loan repayment fund. These assets were used to support existing veterans benefit programs, but also to capitalize new loan programs, including the personal loan program and the consumer loan program (since repealed). Repayments from these loan programs have provided the primary source of ongoing revenue since that time. However, due to a depletion in the amount of trust fund revenue available to make new loans, as well as to a decrease in the demand for loans, the Department stopped issuing new loans in 2011. Accordingly, loan repayment revenue to the VTF has declined steadily in recent years. To illustrate, loan repayments to the VTF totaled \$6.6 million in 2010-11, but are expected to be \$1.0 million in 2015-16 and \$0.8 million in 2016-17.

4. The following table shows the fund condition statement for the VTF for past five years, as identified in the state's Annual Fiscal Report.

**Veterans Trust Fund Condition
Annual Fiscal Reports
(\$ in Thousands)**

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
July 1 Undesignated Fund Balance	\$27,411	\$23,573	\$18,384	\$19,777	\$15,272
Revenue	\$14,391	\$12,517	\$10,073	\$6,577	\$3,982
Expenditures	\$18,026	\$17,503	\$13,680	\$11,062	\$11,850
Inter-Fund Transfers	-\$203	-\$203	\$5,000	\$0	\$5,300
June 30 Undesignated Fund Balance	\$23,573	\$18,384	\$19,777	\$15,272	\$11,196
Difference Between Ongoing Revenue and Expenditures	-\$3,635	-\$4,986	-\$3,607	-\$4,485	-\$7,868

5. In response to a declining VTF balance, the 2011-13 budget authorized DVA to make transfers during that biennium from the state veterans homes PR appropriation balances to the VTF, with the approval of the Joint Committee on Finance under a 14-day passive review process. In passing the 2013-15 budget, the Legislature made that authority permanent, although in signing the bill, the Governor vetoed the requirement that the Department receive approval of the Joint Committee on Finance prior to the transfer. DVA has not yet used this authority, although the Department indicates that this mechanism would be used in the 2015-17 biennium to maintain a positive balance in the fund.

6. The unappropriated PR balance in the Department's appropriation for institutional operations at the state veterans homes was \$31.2 million at the close of 2013-14, and, is anticipated

to increase to \$41.0 million in 2014-15. Under the Department's revenue assumptions and the budget authority provided under the bill, the balance would increase to approximately \$46.0 million in 2015-16, and \$51.1 million in 2016-17, in the absence of any revenue transfers to the veterans trust fund. This PR appropriation balance is well in excess of the amount that would be needed to maintain a positive balance in the veterans trust fund, provided DVA exercises its authority to transfer unexpended PR balances.

7. The state veterans homes program revenue appropriation receives revenue primarily from the medical assistance (MA) program, federal veterans per diem payments, payments by residents, federal service-connected disability payments, and Medicare. Historically, MA program payments have been the largest source of revenue and are the primary reason that, in recent years, the unappropriated PR balance has continued to increase. MA program payments to the state veterans homes are based on the Medicare upper limit payment methodology, which can exceed the actual, average cost of providing care. This is particularly the case since federal per diem payments received on behalf of residents who are veterans are not counted as an offsetting revenue when calculating the payment. As long as the homes remain at or near capacity, as they have been in recent years, the Department expects that revenues will exceed the cost of providing care at those facilities.

Veterans Mortgage Loan Repayment Fund

8. The veterans mortgage loan repayment fund (VMLRF) is used primarily for the payment of debt service on general obligation bonds issued for the purpose of making mortgage and home improvement loans to veterans. Revenues to the fund consist primarily of loan payments from participating veterans. In December of 2011, the Department placed an indefinite moratorium on the issuance of new loans, citing its inability to compete with low conventional market interest rates and a decrease in the demand for loans. Over the past five years, the number of home mortgage loans outstanding declined from over 1,800 to about 700 currently, and the amount of outstanding loan principal went from \$180 million to \$60 million currently.

9. The general administrative functions of the Department have traditionally been funded partially with an appropriation made from the VTF and partially from an appropriation from the VMLRF. As the loan program activities have decreased, a case can be made that there is no longer a sound rationale for sharing general administrative functions between the Department's two funds. The bill would transfer 33.05 positions to the Department's VTF-funded administrative appropriation, which has the effect of increasing VTF appropriations by \$3,180,500 annually. This change is reflected in the VTF condition statement shown on page 2.

10. The transfer of positions and funding responsibility to the VTF has the effect of reducing VMLRF appropriations. The administration cites the declining balance in the VMLRF, and the need to reserve fund revenues for the payment of debt service, as the primary reasons to transfer positions to the VTF appropriation. The following table shows the VMLRF condition statement for the past five years, as shown in the state's Annual Fiscal Report.

**Mortgage Loan Repayment Fund
Annual Fiscal Reports
(\$ in Thousands)**

	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
July 1 Undesignated Fund Balance	\$71,964	\$59,619	\$31,849	\$31,262	\$16,159
Revenue	\$58,012	\$68,023	\$53,583	\$41,727	\$24,707
Expenditures	\$70,243	\$95,678	\$54,170	\$56,830	\$29,670
Inter-Fund Transfers	-\$114	-\$115	\$0	\$0	\$0
June 30 Undesignated Fund Balance	\$59,619	\$31,849	\$31,262	\$16,159	\$11,196
Difference Between Ongoing Revenue and Expenditures	-\$12,231	-\$27,655	-\$587	-\$15,103	-\$4,963

11. The transfer of the funding responsibility of DVA administrative functions from the VMLRF appropriation to the VTF appropriation also has the effect of increasing the amount of unappropriated state veterans home PR balances that would have to be transferred to the VTF to maintain the solvency of that fund. If the Committee decides that increasing the PR transfer is not desirable, this item could be deleted [Alternative A2]. However, if the VMLRF-funded administrative functions are not transferred to the VTF, there is a risk that the VMLRF would not have sufficient revenues to pay debt service during the 2015-17 biennium or in future years. Since the bonds that were issued for the purpose of making loans are general obligation bonds (backed by the full faith and credit of the state), any debt service owed on mortgage bonds that is not paid from the VMLRF due to fund insufficiency would instead be paid from the general fund.

Potential Adjustments to VTF Appropriations

12. The Department has several programs for which expenditures are less than the amount appropriated, perhaps reflecting that demand for these assistance programs is less than it had been in earlier years. Consequently, the Department has typically lapsed unspent amounts from these appropriations in recent years. The Committee could make a decision to reduce these appropriations to more accurately reflect the anticipated expenditures in these programs, as well as more accurately reflect the amount of PR balances from state veterans home appropriations that would need to be transferred to the VTF. The next several points outline some potential adjustments.

13. The veterans tuition reimbursement program provides grants to qualifying veterans whose education expenses are not covered under federal education programs or the state's University of Wisconsin and Wisconsin Technical College tuition remission programs for veterans. Expenditures under the program have declined significantly in recent years, likely as a result of more veterans receiving assistance through the federal Post-9/11 G.I. Bill. In 2011-12, the total amount expended for the tuition reimbursement program was \$992,000, but that had declined to \$468,100 in 2013-14, and spending is on pace to be less than \$400,000 in 2014-15. Given this

decline, the Committee may want to adjust the appropriation to more accurately reflect anticipated spending. Base funding for the program is \$1,403,100. The bill would reduce funding by \$750,000 in 2015-16, providing \$653,100 in that year, but would retain base funding in 2016-17. Based on expenditure trends, an appropriation of \$500,000 would likely provide sufficient funding to meet anticipated demand under the program. This adjustment would be an appropriation decrease of \$153,100 SEG in 2015-16 and \$903,100 SEG in 2016-17, relative to the bill [Alternative B1a].

14. The assistance to needy veterans program provides subsistence aid and assistance with the purchase of dentures, hearing aids, and eye glasses for eligible veterans and their families who have income below 180% of the federal poverty level. The program would be funded at the base level of \$970,000 annually under the bill, but expenditures for grants under the program have averaged just \$420,000 over the past three years. An annual reduction to this appropriation of \$470,000 would provide \$500,000 annually, which would likely provide sufficient budget authority to make grants during the 2015-17 biennium [Alternative B1b]. If insufficient funds are provided in this appropriation, the Department is authorized to make a request to the Committee for supplemental funding under a 14-day passive review process.

15. The veterans employment grant program is administered by the Department of Workforce Development (DWD), but is funded with a sum-sufficient appropriation from the veterans trust fund. The program provides a grant of \$4,000 for an employer who hires a veteran on a full-time basis who has a service-connected disability rating of at least 50% and was receiving unemployment compensation at the time of the hire. Grants of \$2,000 are available in each of the next three years if the employer continues to employ the veteran. [Smaller grants are available for employers who hire a qualifying veteran on a part-time basis.] The program was converted from a tax credit program to a DWD grant program by the 2013-15 biennial budget, but DWD has not made any grants to date, and no tax credits had been provided prior to the conversion of the program. The bill would transfer the program to the Department of Veterans Affairs, and DVA believes that the program would be utilized given additional publicity. Nevertheless, a reestimate of the appropriation may be warranted given the low demand for the program. An appropriation of \$100,000 would be sufficient to provide full grants to 25 qualifying veterans. This adjustment would reduce VTF appropriations by \$400,000 annually [Alternative B1c].

Budget Provisions Related to VTF Solvency

16. The use of the state veterans homes' PR appropriation balances to maintain solvency of the VTF involves diverting funds that could otherwise be used for providing care at the homes, as well as using those funds for a purpose that is different from which they were collected. If the Committee decides that this diversion of funds from the PR balances is inappropriate, it could decide to make a transfer from the general fund instead [Alternative C1]. However, in an environment in which many general fund-supported programs are facing reductions due to an insufficiency of funds, it may be difficult to allocate general fund revenues for this purpose.

17. The use of state veterans homes PR balances may be justified on the grounds that while the funds are collected for the care of veterans at the homes, they are being used for the benefit of all state veterans when transferred to the VTF. Furthermore, since state veterans homes are paid by the MA program at the Medicare upper limit and also receive a federal per diem

payment for residents who are veterans, they are reimbursed for care at a higher level than most nursing homes that rely heavily on public funding sources. Consequently, the state veterans homes may be able to provide a higher level of care than other nursing homes, even with the diversion of PR balances to the VTF.

18. The Committee could decide that a transfer of PR appropriation balances is the best way to maintain the solvency of the VTF, but that such transfers should be a matter over which the Legislature, rather than the Department, should exercise control. In this case, the Committee could decide to delete the Department's authority to make transfers from the PR balances and instead make transfers as part of the bill [Alternative C2].

19. For the presentation of the general fund condition statement, it is typical to assume some amount of appropriation lapses, reflecting the expectation of unspent funds in biennial and annual appropriations. In addition to, or instead of, the appropriation reductions described above, it may be appropriate to also reflect appropriation lapses for the VTF condition statement. In addition, it is likely that the Department will lapse funds from 2014-15 appropriations, which would result in an increase in the 2015-17 opening balance, relative to the statement shown on page 2. Based on current spending patterns and past lapse history, it is estimated that the Department will lapse \$3,500,000 from VTF annual and biennial appropriations in 2014-15, in which case the estimated opening balance of the fund would be estimated at \$4,914,600. If the Committee adopts the appropriation adjustments described in the previous section, this would reduce VTF appropriations, relative to the bill, by \$2,796,200 over the biennium. In addition, based on lapses in prior years, it is estimated the Department would lapse \$1,500,000 annually from VTF appropriations. The following table shows the VTF condition statement under these assumptions. The table also includes an amount of supplemental revenues from other sources (GPR or PR transfers) that would be needed to maintain VTF solvency.

**Revised Veterans Fund Condition Statement, Including
Lapse Assumptions and Appropriation Adjustments**

	<u>2015-16</u>	<u>2016-17</u>
Opening Balance, July 1	\$4,914,600	\$33,500
Revenues	<u>2,990,000</u>	<u>2,766,100</u>
Total Available	\$7,904,600	\$2,799,600
Appropriations	\$17,371,100	\$17,638,100
Estimated Lapse	<u>-1,500,000</u>	<u>-1,500,000</u>
Total Expenditures	\$15,871,100	\$16,138,100
Supplemental Revenue	\$8,000,000	\$13,500,000
Ending Balance, June 30	\$33,500	\$161,500

ALTERNATIVES

A. Transfer Mortgage Loan Administrative Functions to Veterans Trust Fund

1. Approve the Governor's recommendation to reduce funding by \$3,180,500 SEG and

eliminate 33.05 SEG positions annually in the general program operations appropriation for the veterans mortgage loan program, and provide corresponding SEG funding and position increases in the Department's appropriation for administration of loans and aids to veterans.

2. Delete provision.

B. Veterans Trust Fund Appropriation Adjustments

1. Modify veterans trust fund appropriations to reestimate the amount of funding required for DVA programs, as follows:

- a. Reduce funding for the veterans tuition reimbursement program by \$153,100 SEG in 2015-16 and by \$903,100 SEG in 2016-17, to provide \$500,000 annually for the program, the estimated amount needed to provide reimbursement grants during the biennium.

ALT B1a	Change to Bill
SEG	- \$1,056,200

- b. Reduce funding for the assistance for needy veterans program by \$470,000 SEG annually, to provide \$500,000 annually for the program, the estimated amount needed to provide grants during the biennium.

ALT B1b	Change to Bill
SEG	- \$940,000

- c. Reduce funding for veterans employment grant program by \$400,000 SEG annually, to provide \$100,000 annually in the sum sufficient appropriation for the program, to reflect an estimate of the amount provided in grants during the biennium.

ALT B1c	Change to Bill
SEG	- \$800,000

2. Adopt the Governor's recommended funding levels for the three programs. [This alternative would result in an increase in appropriation lapses of \$870,000 in 2015-16 and \$1,926,200 in 2016-17, relative to the fund condition statement shown under Point #19, based on the assumption that the these funds would be unspent.]

ALT B2	Change to Bill
SEG-Lapse	\$2,796,200

C. Funding Supplements for the Veterans Trust Fund

1. Transfer \$8,000,000 in 2015-16 and \$13,500,000 in 2016-17 from the general fund to the veterans trust fund to maintain solvency of the fund.

ALT C1	Change to Bill
GPR-Transfer	\$21,500,000
SEG REV	\$21,500,000

2. Delete the current law provision that gives the Department of Veterans Affairs the authority to transfer unappropriated balances from the PR appropriations for the state veterans homes. Transfer \$8,000,000 in 2015-16 and \$13,500,000 in 2016-17 from the unappropriated balances in the PR appropriations for state veterans homes to the veterans trust fund to maintain solvency of the fund.

ALT C2	Change to Bill
PR Transfer	\$21,500,000
SEG REV	\$21,500,000

3. Maintain current law. [Under this alternative, it is assumed that DVA would transfer unappropriated balances from the PR appropriations as needed to maintain the solvency of the fund.]

Prepared by: Jon Dyck



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 17, 2015

Joint Committee on Finance

Paper #702

Eliminate Long-Term Vacancies (Veterans Affairs)

[LFB 2015-17 Budget Summary: Page 525, #9]

CURRENT LAW

The Department of Veterans Affairs has 1,292.7 authorized positions, including 1,157.7 PR positions, 117.0 SEG positions, and 18.0 FED positions.

GOVERNOR

Delete 5.5 positions (-3.0 SEG positions, -2.0 FED positions, and -0.5 PR position), beginning in 2015-16, as part of the Governor's budget initiative to eliminate positions that have been vacant for more than 12 months.

DISCUSSION POINTS

1. The bill would eliminate agency positions that have been vacant for more than 12 months. Generally the bill would delete associated salary and fringe benefit funding for eliminated GPR positions, but would not delete funding associated with positions funded from other sources. DVA has six positions (5.5 full-time equivalent positions) that would be eliminated, but as these are not GPR positions, no funding reduction would occur.

2. The following table shows the eliminated positions, by funding source. Two of the six positions are funded by more than one funding source.

DVA Long-Term Vacant Positions Proposed for Elimination, By Fund Source

<u>Position</u>	<u>SEG</u>	<u>FED</u>	<u>PR</u>	<u>Total</u>
Attorney	0.6	0.0	0.4	1.0
Financial Management Supervisor	0.9	0.0	0.1	1.0
Office Operations Associate	0.5	0.0	0.0	0.5
Operations Program Associate	1.0	0.0	0.0	1.0
Veterans Assistant Program Specialist	0.0	1.0	0.0	1.0
Treatment Specialist	<u>0.0</u>	<u>1.0</u>	<u>0.0</u>	<u>1.0</u>
Totals	3.0	2.0	0.5	5.5

3. The first three positions listed in the table (2.0 SEG position and 0.5 PR position) are associated with general administrative functions of the Department, and funding is shared between the Department's appropriations for administration of loans and grants and the state veterans homes. The salary and fringe benefit funding associated with these positions is \$143,700 SEG and \$39,000 PR annually. The Department indicates that these positions are vacant pending reorganization or failed recruitments.

4. Three last three positions listed in the table (1.0 SEG position and 2.0 FED positions) are budgeted for the veterans assistance program, which provides transitional housing and support services to homeless veterans and veterans who are at risk of becoming homeless. The salary and fringe benefit funding associated with these positions is \$48,900 SEG and \$119,400 FED annually. The Department indicates that these positions are vacant due to reclassification or loss of federal grants.

ALTERNATIVES

1. Approve the Governor's recommendation to delete 5.5 positions (-3.0 SEG positions, -2.0 FED positions, and -0.5 PR position), beginning in 2015-16, that have been vacant for more than 12 months.

2. Approve the Governor's recommendation to delete 5.5 positions, but adopt one of the following modifications:

a. Reduce funding by \$143,700 SEG and \$39,000 PR annually to reflect the deletion of salary and fringe benefit funding associated with the positions budgeted for DVA's general administrative functions.

ALT 2a	Change to Bill
SEG	- \$287,400
PR	<u>- 78,000</u>
Total	- \$365,400

b. Reduce funding by \$48,900 SEG and \$119,400 FED annually to reflect the deletion of salary and fringe benefit funding associated with the positions budgeted for DVA's veterans assistance program.

ALT 2b	Change to Bill
SEG	- \$97,800
FED	<u>- 238,800</u>
Total	- \$336,600

c. Reduce funding by \$192,600 SEG, \$39,000 PR, and \$119,400 FED annually to reflect the deletion of salary and fringe benefit funding for all of the DVA positions that would be eliminated under this item.

ALT 2c	Change to Bill
SEG	- \$385,200
PR	- 78,000
FED	<u>- 238,800</u>
Total	- \$702,000

3. Delete provision.

ALT 3	Change to Bill Positions
SEG	3.00
FED	2.00
PR	<u>0.50</u>
Total	5.50

Prepared by: Jon Dyck



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873
Email: fiscal.bureau@legis.wisconsin.gov • Website: <http://legis.wisconsin.gov/lfb>

April 17, 2015

Joint Committee on Finance

Paper #703

Grant for Global Entrepreneurship Collective, Inc. (Formally Vettransfer) (Veterans Affairs and Forward Wisconsin Development Authority)

[LFB 2015-17 Budget Summary: Page 165, #3 and Page 528, #14]

CURRENT LAW

The 2013-15 biennial budget act required the Department of Veterans Affairs (DVA) to make a one-time grant of \$500,000 SEG from the veterans trust fund to Veteran Entrepreneurial Transfer, Inc. (Vettransfer) in 2013-14 from a veterans trust fund appropriation. Vettransfer is an organization, based in Milwaukee, which provides training and other assistance to veterans engaged in entrepreneurship. Of the amount provided, Vettransfer was required to provide at least \$300,000 to pay costs associated with a start-up business that a Wisconsin veteran owns and up to \$200,000 may be used to provide entrepreneurship training for veterans who are state residents. Vettransfer is required to provide a report to DVA each year after receiving the grant that includes information on the organization's training activities and grant recipients.

GOVERNOR

Provide \$500,000 GPR in 2016-17 for the purpose of making a one-time grant to Global Entrepreneurship Collective, Inc. (GEC), an organization that provides training and other assistance to veterans engaged in entrepreneurship. Require the Forward Wisconsin Development Authority (FWDA), which would be created under the budget bill, to make the grant in 2016-17. Specify that at least \$300,000 of the grant must be to pay for costs associated with a start-up of a business located in Wisconsin that a veteran owns. Provide that these grants may only be made to veterans who are Wisconsin residents or to businesses owned by veterans who are state residents. Specify that up to \$200,000 of the grant may be for entrepreneurial training and related services to veterans who are state residents. Specify that GEC may not

expend any of the grant moneys after June 30, 2017, or a later date established by FWDA, and require GEC to pay any unexpended moneys to DOA Secretary, for deposit in the general fund.

Require GEC to submit to FWDA and to the Secretary of the Department of Veterans Affairs a report annually by March 1, until 2018, or one year following the sunset date established by the Authority. Require the report to include the following: (a) the most recent financial statement for GEC; (b) a detailed description of the criteria GEC used to determine who received a grant during the previous year; (c) a verified statement describing in detail grants GEC made to veterans' business start-up costs or veterans' entrepreneurial training during the previous year, which must be signed by an independent certified public accountant and the director or principal officer of GEC, so as to attest to the accuracy of the verified statement; and (d) a summary of all investments and grants of any kind that GEC made during the previous year.

Provide that, for each award GEC made during the previous year, the verified statement that GEC is required to include in its annual report must include the following information for each grant awarded: (a) the name and address of the grant recipient and the name and address of the start-up business; (b) the names and addresses of all of the start-up business's owners, including an identification of the business's owners who are veterans, and, if the grant recipient were a business other than the start-up business, the names and addresses of the grant recipient's owners, including an identification of the business's owners who are veterans; (c) the names and addresses of the start-up business's board of directors and key management employees and, if the grant recipient were a business other than the start-up business, the names and addresses of the grant recipient's board of directors and key management employees; (d) a description of the nature of the start-up business; (e) any information the grant recipient submitted to GEC to apply for the grant; (f) the amount of the grant and the date GEC awarded the grant; and (g) a statement of the number of employees the start-up business employed on January 1 of the previous year and the number of employees the start-up business employed on December 31 of the previous year.

Require FWDA, in submitting its budget request for the 2017-19 biennial budget, to subtract \$500,000 from the base of the general program operations appropriation (so that the funding provided for making the grant is not part of the ongoing base of the appropriation).

Delete a provision that requires Vettransfer, Inc. to submit a report to the Department of Veterans Affairs that provides information on the use of a \$500,000 grant the Department made to that organization.

DISCUSSION POINTS

1. The bill would require the Forward Wisconsin Development Authority (FWDA) to make a one-time grant of \$500,000 to Global Entrepreneurship Collective, Inc. (GEC) in 2016-17. GEC is the new name of Vettransfer, the organization that received a grant in 2013-14 from the Department of Veterans Affairs. [The name change was made to reflect that the organization now provides training to entrepreneurs who are not veterans.] The parameters of the grant with respect

to the use of funds and reporting requirements would be the same as the DVA grant, except that reports would be filed with FWDA.

2. GEC operates as a business accelerator for startup businesses. Startups that are selected to participate in GEC's 12-week training course conduct interviews with potential customers, develop business plans, and meet with business mentors and GEC staff on a regular basis to discuss their progress. Businesses that successfully complete the training may apply to receive startup grants and marketing assistance. GEC continues to provide assistance through the development of the business by, for instance, helping them connect with potential investors.

3. Using the \$500,000 DVA grant funds, Vettransfer provided \$10,000 grants to four businesses in 2013 and spent \$60,000 on operational expenses, including activities related to its training program. In 2014, Vettransfer provided \$10,000 grants to 12 businesses and spent \$235,000 on operational expenses and marketing expenses purchased on behalf of grantees. As of March of 2015, approximately \$45,000 of the \$500,000 grant had been unspent.

4. Prior to receiving the DVA grant in 2013-14, Vettransfer received a \$150,000 grant in 2011-12 and a \$300,000 grant in 2012-13 from the Wisconsin Economic Development Corporation (WEDC), and a \$2.1 million grant from the U.S. Department of Veterans Affairs' Center for Innovation. GEC also receives some corporate and foundation support for its activities and continues to work with WEDC on identifying candidates for assistance. GEC indicates that since 2012, companies that have completed its training programs account for 110 jobs created or retained, including both the proprietors and employees.

5. As with the 2013-14 grant to Vettransfer, the 2016-17 GEC grant would be mandatory. That is, although GEC would submit information on the expenditure of funds to FWDA, the Authority would have no discretion with respect to the disbursement of the grant. Since one of the functions of FWDA would be to evaluate different economic development strategies and the potential uses of economic development funds to determine the most beneficial uses of those funds, a case could be made that making the grant to GEC mandatory is contrary to Authority's core function. One alternative to the bill's mandatory grant provision would be to authorize (rather than require) FWDA to make a grant of up to \$500,000, based on an evaluation of the effectiveness of GEC's operational model and the impact of the earlier DVA grant. In this case, the Authority could also be authorized to specify the distribution of the GEC's funds between grants and entrepreneur training assistance, and to specify the reporting requirements associated with the grant [Alternative A2].

6. Unlike the 2013-15 DVA grant, which was made from the veterans trust fund (VTF), the bill would provide GPR funds for the grant to GEC. Since GEC provides grants and assistance to Wisconsin veterans, and several GPR-funded state programs would receive funding cuts under the bill, the Committee could decide to fund the GEC grant again from the VTF [Alternative B2]. The use of VTF revenues would increase the size of the projected shortfall in that fund, necessitating a larger transfer from unspent PR balances from the state veterans homes. Additional information on the VTF's projected balances is provided in LFB Issue Paper #701.

7. The Committee could decide that because the state has various programs to provide

assistance to veterans and to small business startups through both DVA and FWDA, that no additional programs are needed to provide the type of assistance that GEC provides. In this case, the Committee could remove the GEC grant requirement and funding from the bill [Alternative A3 and B3].

8. If the funding and grant provisions are deleted, FWDA would retain the authority to make a grant to GEC from base resources. However, the Committee could retain the grant requirement, but delete the funding, which would require FWDA to make the GEC grant from base resources [Alternative A1 and B3]. In 2013-14, WEDC (which would be subsumed in FWDA under the bill) contracted for a total of \$17.2 million in economic development grants.

ALTERNATIVES

A. Global Entrepreneurship Cooperative, Inc. Grant Provisions

1. Approve the Governor's recommendation to require the Forward Wisconsin Development Authority to provide a grant to Global Entrepreneurship Cooperative, Inc., and establish in the bill the same parameters and reporting requirements for this grant as the 2013-14 grant made by the Department of Veterans Affairs to Vettransfer.

2. Modify the Governor's recommendation by authorizing FWDA to make a grant of up to \$500,000 in 2016-17 to GEC, based on an evaluation of the GEC's operational model and the impact of the 2013-14 DVA grant. Delete all provisions in the bill relating to program parameters and reporting requirements for the grant and instead, authorize FWDA to establish parameters and reporting requirements for this grant.

3. Delete provision.

B. Grant Funding

1. Approve the Governor's recommendation to provide \$500,000 GPR in 2016-17 in FWDA's general program operations appropriation for economic development programs for the purpose of making a grant to GEC.

2. Modify the Governor's recommendation by deleting the GPR funding for the grant and instead providing \$500,000 SEG in 2016-17 in a new, one-time, annual appropriation from the veterans trust fund for the purpose of making a grant to GEC.

ALT B2	Change to Bill
GPR	- \$500,000
SEG	<u>500,000</u>
Total	\$0

3. Delete provision.

ALT B3	Change to Bill
GPR	-\$500,000

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Joint Committee on Finance

Paper #704

Assistance for Needy Veterans Program Eligibility (Veterans Affairs)

[LFB 2015-17 Budget Summary: Page 529, #17]

CURRENT LAW

The assistance for needy veterans program provides subsistence payments and health care assistance to veterans who meet certain criteria related to income and assets and to unremarried spouses and dependent children of veterans who died while on active duty. Veterans must be Wisconsin residents at the time of application. For eligible spouses of veterans who died while on active duty, the deceased veteran must have entered service from Wisconsin or met certain other residency requirements.

GOVERNOR

Eliminate the state residency requirement from the eligibility criteria for the assistance for needy veterans program

MODIFICATION

Instead of eliminating the state residency requirements for eligibility under the needy veterans program, specify that the unremarried surviving spouse and dependent children who are state residents may qualify for assistance under the program regardless of the state residency status of the service member who died while on active duty.

Explanation: The Department of Administration indicates that the intent of the provision was to allow surviving dependents who are state residents to qualify for assistance, regardless of the state residency status of the deceased service member, rather than to eliminate all residency requirements.

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April 17, 2015

Joint Committee on Finance

Paper #705

Military Funeral Honors Eligibility (Veterans Affairs)

[LFB 2015-17 Budget Summary: Page 529, #18]

CURRENT LAW

The Department of Veterans Affairs administers a program that coordinates the provision of military honors details at funerals of deceased veterans and to deceased persons who have served under honorable conditions in any national guard or in a reserve component of the U.S. armed forces.

GOVERNOR

Modify provisions related to the eligibility for military funeral honors to specify that the following persons would be eligible: (a) military personnel on active duty; (b) former military members who served on active duty and were discharged under conditions other than dishonorable; (c) members of the selective service; (d) former members of the selected reserve and national guard who served at least one term of enlistment or period of initial obligated service and were discharged under conditions other than dishonorable; and (e) former members of the selected reserve or national guard who were discharged due to a service-connected disability.

MODIFICATION

Modify "e" above to add "or for a disability subsequently adjudicated to have been service connected."

Explanation: The Department of Administration indicates that the modification was the administration's intent.

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April 17, 2015

Joint Committee on Finance

Paper #706

Tribal College Reimbursement Program (Veterans Affairs)

CURRENT LAW

The tribal college reimbursement program was established by the 2013-15 biennial budget act to provide tuition assistance to veterans who are students at either the College of the Menominee Nation or the Lac Courte Oreilles Ojibwa Community College, and who meet certain income and academic standards. The program pays the tribal college tuition not paid by other any other grant or scholarship. The number of credit hours for which tuition assistance is provided depends upon the number of active duty hours served. Grants are funded with an appropriation of tribal gaming proceeds. Base funding for making grants is \$405,000.

GOVERNOR

Maintain base funding of \$405,000 PR annually for the tribal college reimbursement program.

DISCUSSION POINTS

1. The tribal college reimbursement program was modeled after the existing veterans tuition reimbursement program, which provides tuition assistance for veterans, but is funded with an appropriation from the veterans trust fund. The two tribal colleges do not meet the criteria for that program.

2. The tribal college reimbursement program was funded at \$405,000 annually, based on the assumption that 30 veterans attending Lac Courte Oreilles Ojibwa Community College would qualify for grants, averaging \$4,500 per year (totaling \$135,000), and 45 veterans attending College of the Menominee Nation would qualify for grants, averaging \$6,000 per year (totaling \$270,000). However, to date, no students at the colleges have received grants.

3. Representatives of the colleges indicate that approximately eight to 10 veterans currently attend each college, but that currently their tuition costs are paid through federal veterans education programs (primarily the Post-9/11 G.I. Bill) and Bureau of Indian Affairs scholarship programs.

4. Since no funds have been expended from the tribal college tuition reimbursement program, the Committee could reduce this appropriation with little likelihood of affecting DVA's ability to fully fund grants to eligible applicants. Although federal education aid for veterans and Bureau of Indian Affairs programs currently provide aid that covers most eligible veterans at the two colleges, it is possible that these programs would not cover all tuition costs for some veterans at the colleges in the future. An appropriation of \$50,000 annually could be maintained in the event that some students qualify for assistance under the program. To provide this level of assistance, the appropriation reduction would be \$355,000 PR annually.

5. The effect of reducing the appropriation for the tribal college tuition reimbursement program would be to increase the amount of general fund revenue available for other purposes, since unallocated tribal gaming proceeds are deposited to the general fund at the close of each fiscal year.

ALTERNATIVES

1. Reduce the tribal college reimbursement program by \$355,000 PR annually, which would make available \$50,000 annually in the program. Increase general fund revenue by \$355,000 annually to reflect that this amount of tribal gaming revenue would remain unallocated.

ALT 1	Change to Bill
PR	- \$710,000
GPR-REV (Tribal)	\$710,000

2. Maintain the base appropriation for the tribal college reimbursement program of \$405,000.

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VETERANS AFFAIRS

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1 (part)	Standard Budget Adjustments
3	Veterans Home Operations
6	Veterans Housing and Recovery Program
8	Position and Funding Reallocation
10	Veterans Cemetery Operations
15	Reimbursement of Travel Expenses for Veterans
16	Veterans Home Membership Eligibility

LFB Summary Items to be Addressed in a Subsequent Paper

<u>Item #</u>	<u>Title</u>
4	Debt Service Reestimate
11	Consolidate Marketing Services in Tourism
12	Transfer Veterans Employment Program from DWD

