



Legislative Fiscal Bureau

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September 19, 2018

TO: Senator Jennifer Shilling
Room 206 South, State Capitol

FROM: Jon Dyck, Supervising Analyst

SUBJECT: Projected Transfers from State Veterans Homes Program Revenue Accounts to the Veterans Trust Fund

At your request, this memorandum provides information on projected transfers from the program revenue accounts for the state veterans homes to the veterans trust fund (VTF). Specifically, you asked for an account of such transfers made in recent years and the amount of transfers that the Department of Veterans Affairs (DVA) estimates would be needed in the 2019-21 biennium to maintain the solvency of the VTF. In addition, you asked for information on the status of state veterans home program revenue accounts from which the transfers have typically been made.

By September 15 of each even-numbered year, DVA is required to produce a biennial report for the Joint Committee on Finance on the condition of the veterans trust fund, including actual revenues and expenditures from the previous fiscal year and projected revenues and expenditures for the current year and for the two years of the upcoming fiscal biennium. The following table shows the VTF condition, as reported by DVA in its most recent report, submitted on September 14, 2018.

Department of Veterans Affairs' Veterans Trust Fund Condition Report

	2017-18 <u>Actual</u>	2018-19 <u>Projected</u>	2019-20 <u>Projected</u>	2020-21 <u>Projected</u>
Beginning Cash Balance	\$2,606,971	\$1,639,130	\$2,870,144	\$0
Revenues	\$307,208	\$307,208	\$307,208	\$307,208
Expenditures	-13,576,194	-13,576,194	-13,576,194	-13,576,194
Change in Receivables/Payables	-198,855	0	0	0
Transfers (Homes/GPR)	<u>12,500,000</u>	<u>14,500,000</u>	<u>10,398,842</u>	<u>13,268,986</u>
Change in Cash Balance	-\$967,841	\$1,231,014	-\$2,870,144	\$0
Ending Balance	\$1,639,130	\$2,870,144	\$0	\$0

As shown in the table, DVA assumes that revenues and expenditures will remain at the 2017-18 level through the three-year projection period. Since annual VTF revenues (\$307,208) fall substantially below expenditures (\$13,576,194), interfund transfers are necessary to maintain the solvency of the fund. For the purpose of the report, DVA assumes that sufficient transfers would be made in the 2019-21 biennium to result in a non-negative cash balance at the end of each fiscal year.

DVA's report identifies the source of interfund transfers as "Homes/GPR," implying that the source of funds could be unallocated balances in the program revenue appropriation accounts for the state veterans homes, or from the general fund. DVA has administrative authority to make transfers from state veterans home balances without legislative approval, but general fund transfers would require an act of the Legislature. DVA made a transfer to the VTF from the state veterans homes of \$12,500,000 in 2017-18 and has already made another transfer of \$14,500,000 in 2018-19, the amount shown in the table. The projected transfers for the two years of the 2019-21 biennium could be made from the general fund as part of the biennial budget process or could be made by DVA from unallocated balances in the state veterans homes program revenue accounts, if such balances are available.

DVA has made administrative transfers from state veterans homes program revenue balances in each year since 2015-16. Typically these transfers have been made from balances in the account for the Wisconsin Veterans Home at King, although the most recent transfer included amounts from the King account as well as from accounts for the other two state veterans homes, the Wisconsin Veterans Home at Union Grove and the Wisconsin Veterans Home at Chippewa Falls. The following table shows the amount of the transfers since 2015-16, including the source.

Transfers from State Veterans Homes to the Veterans Trust Fund Since 2015-16

<u>Program Revenue Account</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>Four-Year Total</u>
King Home	\$12,000,000	\$9,000,000	\$12,500,000	\$9,014,000	\$42,514,000
Union Grove Home	0	0	0	2,860,000	2,860,000
Chippewa Falls Home	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,626,000</u>	<u>2,626,000</u>
Total	\$12,000,000	\$9,000,000	\$12,500,000	\$14,500,000	\$48,000,000

Since 2015-16, the state veterans home appropriation account has had sufficient accumulated cash balances to make the transfers to VTF. However, based on current revenue and expenditure levels at the state veterans homes, and DVA's projected VTF deficits, it is unlikely that there will be sufficient unencumbered balances to make the anticipated transfers from the veterans home appropriation through the 2019-21 biennium. Consequently, other measures to maintain the solvency of the VTF will be necessary.

In its budget request, DVA proposes a GPR sum sufficient appropriation "to pay any general veterans benefits program deficiencies." Offsetting veterans benefits costs with a general fund appropriation may reduce or eliminate the need for veterans homes transfers, although the proposal

would need to be developed further to determine the conditions under which the appropriation could be used. It is not clear from the budget request, for instance, if the GPR appropriation could be used for general administration of the Department or non-benefit functions, such as the Wisconsin Veterans Museum.

The Department proposes that the GPR sum sufficient appropriation be set at \$0 in the appropriation schedule. For a sum sufficient appropriation, the appropriation schedule is not limiting, and so any amounts needed for veterans benefit programs would be available regardless of the level of the appropriation. Typically the final biennial budget act will include an estimate of the amounts that will be spent from each sum sufficient appropriation in the appropriation schedule.

Although the Department proposes the creation of the GPR appropriation, which could reduce or eliminate the need for interfund transfers from the state veterans homes, the budget request presents estimates of state veterans home program revenue accounts that assume that the VTF would continue to be supported with transfers. The estimates demonstrate that a continuation of the transfers would result in a program revenue account deficit for the state veterans homes. Specifically, at the start of 2018-19 (July 1, 2018), DVA reports that the combined opening balance for the state veterans home appropriation was \$40.9 million. By the end of 2019-21 biennium, assuming a continuation of transfers to the VTF, the veterans home program revenue accounts would face a deficit of \$18.8 million.¹ However, in practice the Department would not have authority to make transfers that result in a deficit in the state veterans homes accounts. The program revenue account estimates included in budget requests are used for planning purposes and, in this case, are intended to illustrate that the state veterans homes will no longer be able to support transfers to the VTF in the 2019-21 biennium.

I hope that this information is helpful. Please contact me if you have additional questions.

JD/lb

¹ DVA accounts for revenues and expenditures for each state veterans home separately. However, since the three homes are funded from a single appropriation and DVA has the authority to move revenues between the separate home accounts as needed, the combined account balance is shown here. DVA's budget request estimates show account surpluses for the Chippewa Falls and Union Grove skilled nursing facility, but the deficits for the King home and for the Union Grove assisted living facility would more than offset those surpluses, resulting in an overall deficit.