



Legislative Fiscal Bureau

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August 19, 2016

TO: Senator Jon Erpenbach
Room 104 South, State Capitol

FROM: Jon Dyck, Fiscal Analyst

SUBJECT: Status of the Veterans Trust Fund

At your request, this memorandum provides information on the status of the veterans trust fund (VTF). Specifically, you asked, first, for a description of the Department of Veterans Affairs' recent report to the Joint Committee on Finance on the projected status of the VTF for the years 2015-16 through 2017-18. Secondly, you asked for an alternative presentation of DVA's VTF condition that shows two additional years of projected expenditures and revenues (2018-19 and 2019-20) and that also shows the status of the fund without the presence of future revenue transfers to the VTF from unallocated balances in the program revenue appropriations that support the operation of the state veterans homes.

The following table shows the VTF condition, as reported by DVA. [Since the report was prepared prior to the end of the 2015-16 fiscal year to meet the June 30 deadline, the amounts shown in that year are estimates, not actuals. The 2015-16 figures have not yet been finalized.]

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>
Beginning Cash Balance	\$4,996,635	\$5,429,769	\$0
Revenues	\$1,597,208	\$1,597,208	\$1,597,208
Expenditures	-13,924,906	-13,924,906	-13,924,906
Changes in Receivables/Payables	760,832	400,000	240,000
Transfers from Veterans Homes	<u>12,000,000</u>	<u>6,497,928</u>	<u>12,087,698</u>
Change in Cash Balance	\$433,134	-\$5,429,770	\$0
Ending Balance	\$5,429,769	\$0	\$0

There are a few items of note in DVA's VTF fund condition projections:

- As shown in the table, DVA assumes that revenues and expenditures will remain at the estimated 2015-16 level in the final two years of the period. According to the Department's loan repayment projections (for loans for which repayments are made to the VTF), interest repayments, which are counted as a VTF revenue, are expected to decline over the next several years as loan principal balances decline. For instance, interest payments are projected to be approximately \$30,000 lower in 2016-17 than in 2015-16. Consequently, an implicit assumption behind DVA's revenue projection is that this decrease will be offset by increases in other fund revenues, such as museum sales or federal per diem payments.

- DVA assumes that the changes in receivables/payables will decline over the period. This decrease primarily reflects a reduction in the amount of loan principal repayments made under the personal loan program. Since no loans have been made under this program since 2011, the amount of loan principal outstanding has declined over time and will continue to decrease in future years.

- The Department made a transfer of \$12,000,000 from the unappropriated balance in the PR appropriation for the state veterans homes in 2015-16. The Department's report assumes additional transfers will be made in the following two years (approximately \$6.5 million in 2016-17 and \$12.1 million in 2017-18) to maintain a positive balance in the fund.

In response to your request, the table presented in the attachment to this memorandum shows an alternative presentation of the fund condition. In this presentation, this table removes future projected transfers from the state veterans homes, to demonstrate the resulting ending fund balance without those transfers. [The 2015-16 transfer is included in the table since this transfer has already been made.] However, it is also assumed that the VTF will not begin the following year with a negative cash balance. In order for this to be the case, the Legislature or the Department would have to take action to reduce expenditures or increase revenues, including making a transfer to the VTF from the state veterans homes PR balances, to offset the projected deficit.

Also, at your request, the attached table shows an additional two fiscal years. As with DVA's report on the fund condition, it is assumed that fund revenues and expenditures will remain constant over the period. Although actual revenue collections and expenditures may vary from these assumptions, the changes are likely to be relatively small in relation to fund expenditures, absent legislative changes. The final two years of the table show a decrease in receivables, reflecting declining loan principal repayments.

I hope this information is helpful. If you have further questions, please contact me.

JD/lb

Attachment

ATTACHMENT

**Projected Cash Balance of the Veterans Trust Fund
2015-16 Through 2019-20, Without Additional Transfers
And Assuming No Negative Opening Balance**

	<u>2015-16</u>	<u>2016-17</u>	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>
Opening Balance	\$4,996,635	\$5,429,769	\$0	\$0	\$0
Revenues	\$1,597,208	\$1,597,208	\$1,597,208	\$1,597,208	\$1,597,208
Expenditures	-13,924,906	-13,924,906	-13,924,906	-13,924,906	-13,924,906
Changes in Receivables/Payables	760,832	400,000	240,000	120,000	30,000
Transfers from Veterans Homes	<u>12,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Change in Cash Balance	\$433,134	-\$11,927,698	-\$12,087,698	-\$12,207,698	-\$12,297,698
Ending Balance	\$5,429,769	-\$6,497,928	-\$12,087,697	-\$12,207,697	-\$12,297,697

