



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

February 27, 2006

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 613: Transfer of Funds to the Veterans Trust Fund; Tuition and Fee Remission for Veterans and Their Spouses and Children; and Restoration of Information Technology Staff

Senate Bill 613 (SB 613) would: (1) authorize the Department of Veterans Affairs (DVA) to transfer up to \$16,000,000 PR in surplus funds from the appropriation that supports the operation of the state's veterans homes to the veterans trust fund; (2) increase the amount of tuition remitted by the University of Wisconsin System (UW System) and the Wisconsin Technical College System (WTCS) for eligible veterans from 50% to 100% of resident tuition and segregated fees; and (3) authorize 1.51 PR and 1.78 SEG information technology positions in DVA, beginning in 2006-07.

The bill was referred to the Senate Committee on Veterans, Homeland Security, Military Affairs, Small Business and Government Reform which adopted Senate Amendment 1 to SB 613 and recommended the bill for passage, as amended on separate votes of 5-0. The bill, as amended, has been referred to the Joint Committee on Finance.

BACKGROUND

Authority to Transfer Funds

DVA currently operates two Wisconsin campuses -- one at King and the other at Union Grove -- that provide residential care, nursing and medical services, and social and counseling opportunities to veterans and their dependents. These facilities are supported by a program revenue (PR) appropriation that is funded from payments from residents, medical assistance (MA) payments from the Department of Health and Family Services (DHFS), and per diem payments that DVA receives from the U.S. Department of Veterans Affairs (USDVA).

The segregated veterans trust fund was created in 1961 through the consolidation of three predecessor funds: the soldiers rehabilitation fund; the post-war rehabilitation fund; and the veterans housing trust fund. The fund supports a variety of veterans benefit programs, loan programs, and a portion of the costs of the general administration of the Department. As part of the 2005-07 biennial budget [2005 Wisconsin Act 25], DVA requested several modifications to existing veterans programs, termed the "10-year solvency plan," to improve the funding status of the veterans trust fund. Most of these initiatives were adopted as part of Act 25. The total liquid assets of the veterans trust fund at the beginning of 2005-06, were \$66,793,100, which included cash assets of \$30,471,900 and outstanding loans valued at \$36,321,200. Currently, there is no statutory authority for DVA to transfer available funds from the PR account that supports the operation of the veterans homes to the veterans trust fund.

Veteran Tuition Remission and Eligibility Requirements

Under Act 25, the Board of Regents of the University of Wisconsin System is required to remit 50% of resident tuition and segregated fees for eligible veterans. Similarly, Act 25 requires each technical college district board to remit 50% of fees for collegiate transfer programs and postsecondary and vocational-adult programs for eligible veterans.

These remissions are provided for up to 128 credits or eight semesters, whichever is longer, less the amount of any federal tuition reimbursement. These remissions apply to any student who is a veteran, using the same definition as is used under Chapter 45 of the statutes relating to veterans, and who classifies as a resident for purposes of receiving benefits under Chapter 45 of the statutes. These remissions only apply to veterans who entered service from Wisconsin. DVA must verify the eligibility status of individuals that apply for the remission. These provisions first applied to students who enrolled for classes in the 2005-06 academic year.

Act 25 also requires the Board of Regents and the Wisconsin Technical College System (WTCS) to remit full tuition and fees for up to 128 credits or eight semesters whichever is longer, at any of their institutions for the following: (1) a veteran who entered or reentered service from Wisconsin and who (while a resident of Wisconsin) incurred a service-connected disability rating of at least 30%; (2) a spouse of a veteran who entered or reentered service from Wisconsin and has a service-connected disability rating of at least 30%, or who died while on active duty [applies only for the first 10 years after the veterans disability rating or death]; and (3) a child of a veteran who entered or reentered service from Wisconsin and has a service-connected disability rating of at least 30% or who died while on active duty [applies to children of veterans that are at least 18, but not yet 26 years of age].

Information Technology Positions

Under Act 25, state agency information technology server and network support services were consolidated under the Department of Administration (DOA). According to DOA, the server

consolidation effort was "designed to deliver information services more effectively across the State of Wisconsin while improving or maintaining service levels." The project was also intended to "reduce capital acquisition costs and ongoing operational costs associated with supporting information services" and centralize "both server and local area network (LAN) services throughout executive-branch state agencies."

According to the *Executive Budget Book*, server and network support consolidation was included in the budget for the following reasons:

"Most agencies currently maintain their own information technology shops, complete with server and network support and application support and development. As the number of applications and servers on which they run grew over the years, they have become difficult and labor-intensive to manage. This ... initiative is aimed at rationalizing the support of the state's server and network infrastructure. Having these services provided by the Department of Administration will enhance systems management, stability, security and the ability to leverage resources and yet maintain or improve service levels for all aspects of the server infrastructure. At the same time, the state can realize financial savings from the consolidation."

Under Act 25, some 21 state agencies were affected by the consolidation of state information technology server and network support, beginning in 2006-07. For each affected agency, funding was reallocated in 2006-07 from salaries and fringe benefits (and in some cases from supplies and services) to unallotted reserve, supplies and services or permanent property within the agency. The reallocated funding will be available for individual agencies to pay services fees to DOA for server and network support. While no funding decreases were made under Act 25 associated with the IT server and network support consolidation (except in DOA), each of the agencies experienced position reductions. The number of positions eliminated within the agencies was based on a DOA consultant's study indicating the estimated amount of time state agency IT personnel were spending on server and network support activities. Subsequent to the completion of that survey, the consultants also met with each of the affected agencies and reviewed the collected data and the consultants' conclusions.

The reallocated funding amounts and the position reductions made by Act 25 in 2006-07 are identified below by agency and by fund source.

<u>Agency</u>	<u>Reallocated Funding</u>	<u>Position Reduction</u>	<u>Fund Source</u>
GPR Funding			
Administration	\$37,800	-0.50	GPR
Corrections	640,200	-8.80	GPR
Educational Communications Board	101,000	-1.16	GPR
Historical Society	60,300	-0.75	GPR
Military Affairs	0	-0.53	GPR
Revenue	536,800	-6.30	GPR
Tourism	<u>63,000</u>	<u>-0.90</u>	GPR
GPR Subtotal	\$1,439,100	-18.94	
FED Funding			
Military Affairs	\$0	-0.11	FED
Natural Resources	341,200	-4.00	FED
Public Instruction	<u>0</u>	<u>-0.05</u>	FED
FED Subtotal	\$341,200	-4.16	
PR Funding			
Administration	\$340,700	-4.50	PR
Agriculture, Trade and Consumer Protection	236,900	-2.75	PR
Commerce	204,200	-2.45	PR
Educational Communications Board	7,800	-0.36	PR
Financial Institutions	295,200	-3.46	PR
Health and Family Services	2,155,100	-21.55	PR
Insurance	101,800	-1.20	PR
Military Affairs	0	-0.21	PR
Natural Resources	372,500	-3.00	PR
Public Instruction	69,700	-0.83	PR
Public Service Commission	219,400	-2.50	PR
Regulation and Licensing	68,500	-0.83	PR
State Treasurer	29,500	-0.30	PR
Veterans Affairs	99,600	-1.51	PR
Workforce Development	<u>1,575,700</u>	<u>-15.41</u>	PR
PR Subtotal	\$5,776,600	-60.86	
SEG Funding			
Employee Trust Funds	\$139,900	-1.65	SEG
Natural Resources	445,100	-5.00	SEG
Transportation	832,700	-6.95	SEG
Veterans Affairs	<u>124,900</u>	<u>-1.78</u>	SEG
SEG Subtotal	\$1,542,600	-15.38	
Total	\$9,099,500	-99.34	

SUMMARY OF BILL

Authority to Transfer Funds

The bill would authorize DVA to transfer up to \$16 million in 2006-07 from the agency's PR appropriation that supports the institutional operations of the Wisconsin Veterans Homes at King and Union Grove to the segregated veterans trust fund, provided that the PR balance in the appropriation account is in excess of the amount needed to fund the operations of the veterans

homes and the nurse stipend payments during a fiscal year.

Veteran Tuition Remission and Eligibility Requirements

Under the bill, the 50% remissions for the UW System and WTCS, provided under Act 25, would be increased to be 100% remissions, effective July 1, 2006.

Currently, the statutes specify that surviving spouses or dependants are eligible if the veteran either died while on active duty or died in the line of duty for training purposes. The bill would modify tuition remission eligibility for veterans and their spouses and dependents by specifying that a surviving spouse or dependent of a deceased veteran would be eligible for tuition remission at the UW System or WTCS if the veteran died as a result of a service connected disability (even if the veteran did not die while on active duty). In addition, the requirement that a veteran with at least a 30% service-connected disability be a resident of Wisconsin at the time the disability rating was incurred, would be deleted (though eligibility would still be limited to individuals that entered service as a Wisconsin resident). The bill would also specify that service connected disability ratings be determined by the USDVA.

Information Technology Positions

Under the bill, 3.29 positions (1.51 PR and 1.78 SEG) would be authorized in 2006-07 in DVA to provide information technology server and network infrastructure staff support at that agency. The bill would restore DVA's IT positions that are scheduled to be eliminated in that fiscal year under Act 25. Based on the DOA consultant's report, if the bill were enacted, DVA would then have 25.0 IT positions.

DVA indicates that the restoration of the 3.29 positions is sought because: (1) federal privacy and health records privacy requirements, primarily mandated by the Health Insurance Portability and Accountability Act (HIPAA) may not be met under the DOA server and network consolidation; and (2) DVA estimates that costs under the DOA server consolidation will exceed DVA's costs of maintaining its own servers and networks.

However, DOA indicates that a memorandum of understanding (MOU) has been developed with the DHFS addressing HIPAA concerns, and that a similar MOU could be developed with DVA. DOA currently anticipates having a completed MOU with DVA by the end of February, 2006. Also, DOA advises that while any server and network consolidation could not violate federal privacy laws, the extent of these federal regulations and their application to DVA is currently being reviewed by the USDVA. Finally, DOA indicates that costs for individual agencies under the consolidation initiative are discussed with each agency subsequent to an evaluation by DOA of the agency's server and network needs. DOA and DVA held an initial meeting in December, 2005, and were to hold follow-up meetings. The follow-up meetings have yet to occur.

General Effective Date

All of the provisions of the bill would take effect on July 1, 2006.

SUMMARY OF AMENDMENT 1

Senate Amendment 1 to SB 613 would delay all of the changes to the veterans tuition remission and eligibility provisions of the bill so that they would initially apply to students who enroll in classes in the 2007-08 academic year. The following provisions would be affected: (1) increasing tuition remission at the UW System and WTCS from 50% to 100%; (2) specifying that a surviving spouse or dependent of a deceased veteran would be eligible for tuition remission at the UW System or WTCS if the veteran died as a result of a service connected disability, and that the veteran would not have to have been a resident of Wisconsin at the time the disability rating was incurred; and (3) specifying that disability rating would be determined by the USDVA.

FISCAL EFFECT

Authority to Transfer Funds

DVA estimates that on June 30, 2007, an uncommitted cash balance of approximately \$16.0 million PR will be available in the appropriation that supports the Veterans Home at King and the Veterans Home at Union Grove. This estimate takes into account: (1) the amounts budgeted in the 2005-07 biennial budget act to operate these facilities; (2) reserves for employee compensation and fringe benefits; and (3) additional spending authority that DVA indicates will be needed to address projected shortfalls in permanent position salaries, salaries for limited term employees, supplies and services, and energy costs in the 2005-07 biennium. There is some uncertainty regarding this estimate, as is indicated in DVA's fiscal note to the bill. Future labor settlements that will determine compensation levels for staff at the veterans facilities, particularly direct care staff, in the current biennium will affect the balance. In addition, DHFS currently estimates that MA payments to the Veterans Home at King in 2005-06 will be slightly greater than the payments assumed by DVA in that year.

These surplus revenues are largely due to a one-time increase in MA payments that the Veterans Home at King expects to receive in 2005-06 (approximately \$17.8 million) due to a change in the way states must treat USDVA per diem payments, pursuant to provisions of the federal Veterans Health Programs Improvement Act of 2004 (P. L. 108-422).

Previously, the state's MA program could count the USDVA per diem payments as patient liability for the purpose of determining MA reimbursement for care that individuals receive at the Veterans Home at King. By counting these payments, MA payments to the Veterans Home at King were lower than they would have been had the MA program not counted these payments as the patients' liability. With the enactment of the federal legislation, state MA programs may no longer

count these USDVA per diem payments as the patients' share of the costs of care they receive at veterans nursing homes. Consequently, MA payments to these facilities will increase. DHFS intends to submit additional MA claims for services provided by the Veterans Home at King in state fiscal year 2001-02 and subsequent years.

The MA payments to the Veterans Home at King are based on the nursing home services that facility has already provided to MA recipients. Once the MA program makes this payment to DVA, the state may use these funds for any purpose. Consequently, the provision in the bill that would authorize DVA to transfer up to \$16 million in 2006-07 from this PR appropriation to the veterans trust fund would not violate any federal MA requirement.

Veteran Tuition Remission and Eligibility Requirements

Based on information from the UW System, it appears that increasing the tuition remission to eligible veterans from 50% to 100% would reduce tuition revenues by \$2.5 to \$3.0 million on an annualized basis. The potential fiscal effect of eliminating the residency requirement at the time veterans incur a service-connected disability rating is unknown.

Based on data from WTCS rating to remissions to date in 2005-06, a 100% remission would reduce fee revenues for local technical college districts by an estimated \$600,000 to \$800,000 annually.

The tuition remission amount for eligible veterans could be supported either by the UW System and WTCS educating additional students with the same amount of revenue, or by generating additional revenue through higher tuition for other UW and WTCS students.

DVA estimates that there would be savings of \$1,138,000 SEG in 2006-07 to the veterans trust fund related to reduced reimbursements that would otherwise have been paid under the current Veterans Education Grant Program. This program currently reimburses veterans who do not attend UW System or WTCS campuses in an amount up to 100% of the cost of resident undergraduate tuition and fees at the UW-Madison. Currently, for UW System and WTCS students, DVA reimburses veterans for that portion of tuition and fee amounts that are not remitted.

Senate Amendment 1. The amendment would delay the changes affecting the UW System and WTCS until the 2007-08 academic year. As a result, the UW System and the WTCS would not incur any of the above tuition and fee revenue reductions during the 2005-07 fiscal biennium. Further, the veterans trust fund would not realize the savings identified above during the 2005-07 biennium. These fiscal impacts would first occur in 2007-08.

Information Technology Positions

No increased funding in 2006-07 (\$99,600 PR and \$124,900 SEG) is provided in the bill for the salary and fringe benefits costs of the restored positions. However, the salary and fringe

benefits reallocations for these positions that were made under Act 25 could be reversed by DOA in order to support the positions.

Prepared by: Jere Bauer, Dave Loppnow, Charles Morgan, and Darin Renner