



**House
Legislative
Analysis
Section**

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VETERANS TRUST FUND BENEFITS

**House Bill 4447 with committee
amendments
First Analysis (3-18-93)**

**Sponsor: Rep. Robert DeMars
Committee: Military & Veterans Affairs**

THE APPARENT PROBLEM:

Public Act 9 of 1946 created the Michigan Veterans' Trust Fund and set aside \$50 million into this fund so that the interest and other earnings could be used to supplement federal benefits received by Michigan veterans who have served in a U.S. conflict. In most cases, veterans must have served at least 180 days in order to qualify for benefits from the fund. (The fund may only spend annually as much as it earns from interest and other earnings on the original fund amount, which varies depending on national interest rates.) Michigan's fund pays out benefits only for emergency purposes (i.e., if a qualifying veteran is unable to make a timely mortgage payment, pay a utility bill and the like) or to assist the children of qualifying veterans to pay tuition at a state college or university. Legislation adopted at the federal level in 1991 recognized the Persian Gulf War's relative brevity by providing that persons who served there for at least 90 days may qualify for a number of different kinds of benefits. Some people believe Michigan should follow suit by amending its veterans' trust fund act to allow those who served in the recent conflict for at least 90 days to qualify for benefits under the act. In addition, it has been suggested that, to be fair, the 90-day window of eligibility should be expanded to apply to all veterans of former U.S. conflicts.

THE CONTENT OF THE BILL:

The bill would amend the veterans' trust fund act to allow an active duty veteran who was a legal resident of the state and who served for at least 90 days in any official U.S. military conflict to qualify for benefits under the act.

MCL 35.602

FISCAL IMPLICATIONS:

According to information provided by the Michigan Veterans Trust Fund, the bill would increase the

number of veterans who would qualify for assistance from the fund by about 270,700. Assuming that the current ratio of applications made to grants paid out remained the same, the fund would have 5,630 more applications and 3,735 more grants--which could result in an increased cost to the fund of approximately \$1.1 million annually beyond the current resources of the fund as it is currently structured. (3-17-93)

ARGUMENTS:

For:

Due to the brevity of the Persian Gulf War era, which began August 2, 1990, and ran into the spring of 1991, Congress decided to lower the window of eligibility from 180 days to 90 days for veterans to be able to qualify for federal veterans benefits. The bill, however, goes one step further by shortening the eligibility window for all veterans of former U.S. conflicts to 90 days. Thus, all veterans of former U.S. conflicts would be eligible for financial assistance from the fund if they had served for at least 90 days in the conflict in question.

Against:

As originally introduced, the bill closely resembled legislation adopted at the federal level by granting eligibility to receive benefits from the veterans' trust fund to qualifying veterans who served at least 30 days in the Persian Gulf War (federal legislation requires a Persian Gulf veteran to have served for at least 90 days). Because of the brevity of that war, Congress apparently intended to lower the standard eligibility window from 180 days to 90 days to accomodate Gulf war veterans who returned to the states in need of assistance because of financial hardship. But expanding the 90-day eligibility for benefits from the Michigan Veterans Trust Fund to veterans of all U.S. wars could have a substantial impact on the ability of the fund to pay benefits to all veterans requesting emergency (or tuition grant)

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financial assistance. Some might argue that if the window for qualifying is to be shortened to specially accomodate Persian Gulf veterans, then it should be done equally for all veterans. While this argument may be valid from an egalitarian point-of-view, it could very well fail from a practical standpoint.

First of all, increasing the pool of eligible recipients could lower the amounts individuals could receive in benefits and perhaps even force the board to revise the way it determines what qualifies as a "need" when approving requests for benefits, which could cause a greater number of "eligible" veterans to be denied assistance at all. Secondly, the fund may be having trouble meeting current demands for assistance as falling interest rates over the last few years has significantly reduced earnings of the fund. According to information provided by the Michigan Veterans Trust Fund, in recent years annual earnings on the "corpus" of the fund have been as much as \$300,000 less than what had been earned in prior years. While it seems reasonable to, first of all, lower the window of eligibility to accomodate Gulf War era veterans and then, out of fairness, expand this to apply to veterans of all past conflicts, it seems that more information is needed to determine the fund's fiscal status currently, and how the bill might affect it. Acting in a hasty manner could, in fact, jeopardize the fund's ability to meet even basic needs of veterans in the future.

POSITIONS:

The American Legion supports the bill. (3-17-93)

The Polish League of American Veterans supports the bill.(3-17-93)

The Michigan Veterans Trust Fund supports the concept of the bill, but feels the fund should be restructured so that it could handle the increase in requests for benefits that would result under the bill and maintain current levels of support for various assistance programs (i.e., the emergency grant program, and tuition grant program for children of eligible veterans). (3-17-93)