



House
Legislative
Analysis
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GUARD VETS TRUST FUND

House Bill 4471 as introduced
Revised First Analysis (3-9-95)

Sponsor: Rep. Robert DeMars
Committee: Senior Citizens and
Veterans' Affairs

THE APPARENT PROBLEM:

In response to veterans' concerns over the status of the Michigan Veterans' Trust Fund (MVTF), the legislature is currently considering House Joint Resolution H, which would place before the voters at the next general election the question of establishing the trust fund under the state constitution, and which would prohibit its principal and earnings from being used for any purpose other than to benefit veterans or their spouses or dependents. (The resolution has passed the House and is pending in the Senate. For more information about the fund's enabling legislation and history, see BACKGROUND INFORMATION, and see the House Legislative Analysis Section's analysis of House Joint Resolution H dated 2-14-95.) Since House Joint Resolution H would also establish a Michigan Veterans' Trust Fund Board of Trustees, which would administer the trust fund as prescribed "...by law," legislation is necessary to implement the resolution, providing an effective date for the repeal of the current statutory provisions regarding the fund and referencing the constitutional provisions.

THE CONTENT OF THE BILL:

House Joint Resolution H would submit a constitutional amendment to the voters at the next general election that would establish the Michigan Veterans' Trust Fund. The joint resolution would also establish a trust fund board of trustees that would have sole discretion over expenditures from the fund. House Bill 4471 would amend the veterans' trust fund act (MCL 35.604b) to repeal -- one year after the bill's effective date -- the current language regarding the trust fund, specifying only that the trust fund established by the joint

resolution would be administered by the trust fund board of trustees. House Bill 4471 is tie-barred to the passage by the voters of the constitutional amendment contained in House Joint Resolution H.

BACKGROUND INFORMATION:

Public Act 4 of 1943 created a post-war reserve fund of \$50 million "for the purpose of liquidating Michigan's obligations, after the termination of the war, to its returning service men, their widows, or dependents." Public Act 4 authorized the State Administrative Board to transfer immediately \$20 million from the general fund to the reserve fund, and directed the board and the state treasurer to transfer from the general fund to the reserve fund "accruing surplus revenues as promptly as accruing unappropriated revenues shall warrant, until the additional transfers shall bring the post-war reserve fund up to the total of" \$50 million. The post-war reserve fund was subsequently transferred to the Michigan Veterans' Trust Fund when it was created by Public Act 9 of 1946. Public Act 9 specified that \$50 million of the transferred funds was to remain in the MVTF as a trust, and \$200,000 of the MVTF was to be transferred to an emergency loan fund to be used for veterans or their legal dependents "who may be engaged upon a course of instruction under any state or federal educational program." According to the act, income accruing in the MVTF in excess of the \$50 million and the \$200,000 is to be used by the MVTF trustees to provide for the needs of Michigan veterans and their wives and dependents.

The MVTF trustees also are responsible for administering the tuition grant program established by Public Act 245 of 1935 and transferred to the auspices of the MVTF trustees in 1966. Public Act

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245 specifies that a child of a disabled or deceased veteran, or of a veteran who is missing in action, must be admitted to and may attend a state tax-supported educational or training institution of a secondary or college grade, and exempts the person from tuition and tuition-type fee requirements. The MVTF trustees are responsible for determining the eligibility of the applicant for this benefit and for determining the accuracy of the charges submitted to the trustees by the institutions on account of the applicant's attendance at the institution.

According to the Department of Management and Budget, the Michigan Veterans' Trust Fund has been liquidated twice. The first time, pursuant to Public Act 277 of 1959, was to meet the cash requirements of the general fund, as specified in Public Act 277. Although Public Act 277 called for complete restoration of the MVTF by July 1971, subsequent amendments to the Michigan Veterans' Trust Fund law provided for additional grants or loans from the MVTF, extended the repayment period, and in Public Act 119 of 1976, again liquidated the fund. Public Act 119, however, also called for restoring the MVTF to the principal sum of \$49 million by July 1993. This did not occur officially until July 13 of 1994 when Public Act 288, which among other things required the transfer of just over \$11.5 million from the general fund into the MVTF, was signed into law.

FISCAL IMPLICATIONS:

The House Fiscal Agency says the bill would not affect state or local budget expenditures. (2-28-95)

ARGUMENTS:

For:

House Bill 4471 would complement the provisions of House Joint Resolution H by providing for the repeal of the current statutory language establishing the trust fund, and instead making reference to the constitutional provisions. The status of the Michigan Veterans' Trust Fund (MVTF) has been a source of concern for the state's veterans' organizations for some time. Although the various laws concerning the MVTF limit it to assistance for veterans and their widows and dependents, it has been emptied twice over the years. By specifying that the trust fund's board of trustees would have sole discretion over expenditures from the fund, however, House Joint Resolution H illustrates the legislature's intent that the Veterans' Trust Fund

will never again be raided to fund programs that don't benefit veterans and their families.

POSITIONS:

The Michigan Veterans of World War I supports the bill. (3-2-95)

The Polish Legion of American Veterans U.S.A. supports the bill. (3-2-95)

Representatives of the following organizations testified before the House Senior Citizens and Veterans' Affairs Committee on 3-2-95 in support of the bill:

The Michigan Veterans Trust Fund

The American Legion

American Veterans of World War II-Korea-Vietnam (AMVETS)