

# Legislative Analysis



## COUNTY VETERAN SERVICE FUND

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**House Bill 4122 (H-1) as reported from committee**  
**Sponsor: Rep. Annette Glenn**  
**Committee: Military, Veterans and Homeland Security**  
**Complete to 3-11-21**

Analysis available at  
<http://www.legislature.mi.gov>

### SUMMARY:

House Bill 4122 would amend 1953 PA 192 to modify the distribution and expenditure of grants from the County Veteran Service Fund. Among other things, the bill would revise grant eligibility requirements to allow more counties to participate in the grant program and would allow counties to use grants for allowable expenditures as determined by the Michigan Veterans Affairs Agency (MVAA) and for an emergent need relief program to provide direct financial assistance through county veteran service operations.

#### **Allowable expenditures**

1953 PA 192 creates the County Veteran Service Fund and requires the MVAA to operate a grant program that provides grants from the fund to counties for county veteran services operations. Each county receiving a grant must meet certain funding, service, and reporting requirements and use the funds received solely for the county's veteran service operations.

The bill would allow money in the fund to be used to cover necessary administrative and implementation costs incurred by the MVAA, as appropriated.

The bill would also counties to use grants for *allowable expenditures* related to county veteran service operations.

*Allowable expenditures* would mean those expenditures determined by the MVAA to be necessary and proper to support veteran service operations in Michigan.

#### **Eligibility for grants**

The bill would provide that, in addition to meeting program requirements, a county must enter into a grant agreement with the MVAA to receive a grant from the fund. A grant would have to be disbursed within 60 days after the MVAA receives a completed and signed agreement from the county requesting the grant.

The bill also would modify eligibility dates in the act to stipulate that, in order to be eligible to receive a grant in the fiscal year ending September 30, 2021, and each fiscal year thereafter, a county must meet all of the requirements for qualification by September 30.

One current qualification that must be met is that the county must maintain a minimum level of county funding for veteran operations equal to the funding for veteran service operations for the fiscal year preceding September 24, 2018.

The bill would provide that the funding for the operations would have to equal the funding for operations for the fiscal year immediately preceding October 1, 2018. The bill would further add that, for the fiscal year ending September 30, 2022, the county must maintain at least 70% of the total county funding for veteran service operations for the fiscal year immediately preceding October 1, 2018. If a county reduces the level of county funding for veteran service operations for that fiscal year, it could not use grant funding awarded to supplant, or make up for, those reductions.

Other current qualifications include establishing remote access to the United States Veterans Affairs computing systems and requiring county service officers to obtain a Personal Identity Verification card. The bill would provide that a county must demonstrate an effort in achieving both of these qualifications.

An additional current qualification requires a county to provide at least 20 hours per week toward veteran service operations. The bill would add that, upon request, the MVAA could grant an exemption to this requirement. In determining whether to grant the exemption, the MVAA would have to consider necessary information and factors, including the total veteran population of a county and any existing agreements that promote coordination of services between counties.

Additionally, for the 2020-21 and 2021-22 fiscal years only, the bill would allow the MVAA to suspend the qualification requirements to allow a county to use available money in a county veteran service fund to form an emergent need relief program to provide direct financial assistance through its veteran service operations in the county. However, the agency and counties would have to ensure that all other available resources were applied before awarding assistance under the relief program.

### **Disbursement of grants**

The total disbursement for each grant is currently determined by combining the following amounts:

- A base amount of \$50,000.
- A per capita amount according to the number of veterans residing in each county, as determined by a set equation.

Under the bill, the total disbursement amount would be determined by combining the following amounts:

- A base amount of \$50,000 or, in a fiscal year when money in the fund is insufficient to support this amount, an amount equal to and not more than the total amount appropriated to the fund for the fiscal year beginning October 1 divided by 83 (the number of counties in Michigan). A disbursement under this provision would have to be used for one of the following purposes:
  - Establishing new capacity and capabilities for a county to provide veteran service operations.
  - Enhancing and increasing existing veteran service operations through local county offices.

- A per capita amount according to the number of veterans residing in each county to support allowable expenditures related to county veteran service operations, as determined by a set equation.

The \$50,000 distribution is currently required to be provided in a lump sum distribution no later than December 31 of each year. The bill removes this requirement.

#### **Misuse of grant funds**

Currently, if the MVAA determines that a county spent funds for purposes other than those allowed, it must reduce the grant disbursement for that county for the following fiscal year by an amount equal to the amounts improperly spent.

The bill would instead require the agency to notify the county of its findings and recover any misused grant funds before issuing any new grants to that county.

MCL 35.623a

#### **FISCAL IMPACT:**

The bill would provide for administrative cost savings to the MVAA and provide for potential cost savings and grant funding for certain county governments.

Expenditure of grant funding is limited to the amount that is available to the program through legislative appropriations. The bill could then have an indirect fiscal impact to the state general fund only to the extent that increased demand and expenditures of county grants exceeds current appropriations or influences the amount legislatively appropriated to the fund in future budget acts. The current-year appropriation for the grants is \$4.0 million GF/GP, which provides enough for base funding of \$50,000 to 80 of Michigan's 83 counties. This amount is maintained in the FY 2021-22 executive budget recommendation. Despite not providing for the total possible base funding amount, the \$4.0 million appropriated amount has been sufficient to support the annual total cost of county grant requests and planned service costs each year since the program's initial year in FY 2018-19. Unexpended funds are authorized to carry forward and not lapse at the close of each fiscal year. In FY 2019-20, 67 counties applied for a total grant amount of \$5.4 million, of which only \$3.0 million was spent. In FY 2020-21, 57 counties have applied for a total grant amount of \$3.3 million. The current balance of the fund was not available at the time of this analysis; however, a balance has carried forward from the prior fiscal year to supplement the current-year appropriation.

The bill provides for the use of grant funding toward an emergent relief program and eliminates certain criteria for counties to be eligible for grant funding. This provision will likely increase the number of counties requesting grants in those fiscal years and total expenditures from the fund. In FY 2019-20, the MVAA implemented an Emergent Relief Program following the outbreak of COVID-19. From this program, nine counties requested grants that had not requested the standard annual grants, for a total grant amount of \$225,000. From these grants, only \$91,300 was expended.

The bill also revises two eligibility requirements counties must meet to receive grants. These revisions would provide potential costs savings to county governments while also potentially increasing the number of counties participating in the program and expending grant funds. The first revision decreases the county spending requirement in FY 2020-21 and 2021-22 from 100% to 70% of the amount each county spent for veteran service operations in FY 2017-18. This may allow certain counties to reduce their local spending if the current requirement to maintain 100% spending levels of FY 2017-18 forced county veteran service operations to be set artificially high to remain eligible for grants. The second revision would provide an exemption to the requirement that counties provide at least 20 hours per week toward veteran service operations for those counties who do not have veteran populations that justify that level of service or who coordinate their services with other counties. Both revisions would likely result in a greater number of counties being eligible for and requesting grants, thereby increasing expenditures from the fund.

The bill would also allow money in the fund to be used to cover administrative and implementation costs, as appropriated. The FY 2021-22 executive budget recommendation includes \$200,000 in a boilerplate appropriation to support administrative costs of operating the grant program. Administrative costs are currently absorbed through appropriations to the MVAA. Any amount appropriated for this purpose would be directly added to the MVAA budget.

## **POSITIONS:**

Representatives of the following entities testified in support of the bill (2-23-21):

- Department of Military and Veterans Affairs
- Michigan Association of Counties

Legislative Analyst: Emily S. Smith  
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■ This analysis was prepared by nonpartisan House Fiscal Agency staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.