

2011 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1468

2011 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee Fort Union Room, State Capitol

HB 1468
February 3, 2011
13955

☐ Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Provide an appropriation to the OMB for transfers to the veterans' postwar trust fund and veterans' aid fund

Minutes:

Chairman Bette Grande opened the hearing on HB 1468.

Rep. Todd Porter, District 34, Mandan appeared in support. I was asked to put this bill in by veteran organizations and by our local county veteran service officer. The bill does three different things and each of the three things are in a separate section. Sections 1 and 3 move the loan and grant funds forward instead of being behind a biennium. It actually funds it so that from this point forward it would move them forward. Section 2 is a shore up of that trust fund balance.

Lyle Schuchard, Chairman of the ND Administrative Committee on Veterans' Affairs, appeared in support. **Attachment 1.**

Rep. Lisa Meier: How much money is currently in the veterans' war trust fund?

Lyle Schuchard: I think the state treasurer would have a better handle on that than I do.

Kelly Schmidt, State Treasurer, appeared. The current value right now is \$4.2 million in the post war trust fund. Calendar year returns for just the equity portion of the fund were 10% for calendar year 2010. That is net of the income that has been taken for the fund to provide benefits for our veterans. The current average rate for the CD portion of the investments which is \$800,000 is about 1.69%.

Rep. Glen Froseth: Rep. Porter said that Sections 1 and 3 moved the loan and grant programs forward. Could you explain that time frame and how that works?

Kelly Schmidt: I am not familiar. I have read the bill. This is just transferring dollars. I believe there was a reason behind the creation of the bill that was brought forward by the veterans' groups and I am going to let them give you the philosophy of where they come from. I am just the trustee of the post war trust fund and that is my responsibility.

Rep. Lonny Winrich: Did I understand you correctly? There was a 10% return on this fund in 2009?

Kelly Schmidt: 2010. We had a 10% rate of return on the equity portion of investments, calendar year as of December 31, 2010. That is net of the benefits that we have paid to veterans. We took tens of thousands of dollars out of the fund in order to pay benefits, but that is the net return.

Rep. Glen Froseth: What is the total of this fund a few years back? Was it somewhere at \$5 million and the principle deteriorated because of markets?

Kelly Schmidt: We did have a decline in the 2008-2009 period of returns. However, expenditures continue to come out of the fund. Also at one point we were about \$5 million and we have dropped down. During that time we did do much better than most endowment funds in the nation relative to the returns in 2008.

Lonnie Wangen, Commissioner of Veterans' Affairs, appeared. **Attachment 2.**

Chairman Bette Grande: What is the percentage on the loans?

Lonnie Wangen: The percentage on the loan is 8%. You can get a \$5,000 loan at 8% for 48 months. At the end of paying off that loan, you get half of your interest paid back so in the end if you successfully pay it off, you get that refund back so it turns out to be a 4% loan. The fund does earn interest and grow as it goes but then, of course, we just pay back half of their interest. It is a good program.

Chairman Bette Grande: How many loans do you currently have out? Is your office the administrator of these loans?

Lonnie Wangen: The loans go through our office. The treasurer keeps the balance of the money, and then we loan it out from there.

Chairman Bette Grande: As you find the number of loans out, what is your payback percentage? What is your default rate?

Lonnie Wangen: Our payback rate is really good actually in the past here. In the last two bienniums we have written off \$296. Basically that is for paying off your loan early. We have written off about \$20,000 due to deaths. We do have a collections agency that works really good for us. In the last two bienniums they have collected over \$6,400 on past loans that have gone bad all the way back to the beginning of the program.

Rep. Glen Froseth: The aid loan principle, is that part of the 4.1million in the total trust fund or is that a separate principle amount?

Lonnie Wangen: No that is a separate account altogether. It has nothing to do with the 4.1.

Rep. Glen Froseth: What is the principle of that fund?

Lonnie Wangen: The principle as far as the balance available would be the \$44,000 right now.

Rep. Glen Froseth: The total value of the account would be the \$44,000 plus the 525 so it would be close to \$600,000.

Lonnie Wangen: That is correct. Back in 1997 it would have been just about the same, about \$590,000 was the balance there so in reality with the write offs and the interest earnings, we have maintained about the same loan power in the last 20 years.

Rep. Lonny Winrich: What was the time period again for the \$20,000 written off loans?

Lonnie Wangen: That would be in the last two complete bienniums, the 2005-2007 and the 2007-2009.

Rep. Lonny Winrich: Are the loans restricted in any way or can give you a loan for basically any purpose that an applicant asks for?

Lonnie Wangen: Actually it is restricted in a way. The loan program that we have is a little bit more flexible than you would get in a bank. We do look at credit ratings and we do look at income to make sure that you can pay it off and you have a good credit history. We do not count in medical expenses so if you had a big medical emergency and you had some bad debt at that time because of it, we don't count that. That is kind of a good benefit for the veterans because it is for emergencies in that way. It can't be used for debt consolidation. It is made for emergencies. Such things we get is a car repair, repair their roof, or something like that.

Chairman Bette Grande: I am going to take you back to Section 2. The \$2 million is what you want to add on top of the \$4.1. Is that correct?

Lonnie Wangen: That is correct.

Chairman Bette Grande: That's so you would have more interest to spend at each portion for grant program. Is that correct?

Lonnie Wangen: The reason to add that \$2 million is so that we can, of course, handle any grants or needs of the veterans in an economic downfall, but the main reason is so that we can start growing the fund. Twenty years ago it was worth \$4.1 million and it is worth \$4.1 million now. That is why we use the computer price index that we would like to start to grow this fund so that it still has a buy in power in the future for our future veterans. As medical expenses go up in the future which we have been pretty lucky with our dental and vision programs that we have been able to get our veterans what they need without having to raise those too often, we do anticipate that may happen in the future and we just want to be prepared for that.

Chairman Bette Grande: How many grants do you have out that are not being offered right now? How many applications do you have that are not fulfilled?

Lonnie Wangen: All the grants we have right now that are eligible are fulfilled.

Chairman Bette Grande: So we are not having people waiting at this point.

Lonnie Wangen: No, at this point we are all caught up on any grants. We had a couple times in the past once in awhile before my time where the economy went down or the amount of grants came in faster than we were budgeted and people had to wait a little bit. We are caught up on that now and we want to be prepared for the future so in case we have an influx of claims, applications, or interest doesn't earn as much that we can still take care of those grants just as fast as we can rather than waiting.

Chairman Bette Grande: In Section 1, though, if we do the \$400,000 then that has the ability to build that back up so that you would have those payouts.

Lonnie Wangen: Yes. The \$400,000 is what we budget then for the next biennium, and the rest would go in the post war trust fund to earn interest with the rest of it. That would give the post war trust fund time to grow interest and if it is at the 10% I believe we would be well on track with getting that \$7.1 million that we need to keep the value of the \$4.1 where it is today.

Rep. Mark Sanford: Your intention here would be to have the fund where you are making \$200,000 a year commitments now you will be able to grow that at that 2 ¼ % or whatever CPI so that \$200,000 would grow to have more grant monies available each year and at the same time you would reinvest almost \$100,000 of your earnings back into the corpus to grow the corpus. Essentially you are growing the corpus and also growing your ability to increase the grants at a 2 ¼% level.

Lonnie Wangen: Yes, in a sense that is what we want to do. We want to make sure that the fund buying value is the same as it is today in the future and also to cover those expenses if they were to go up.

Rep. Karen Rohr: Is it the intent of the fund to fulfill all loan applications or do you have a criteria of how many you give out in a year?

Lonnie Wangen: On the loan program we have over \$500,000 that is loaned out. We are running at the point where if we have many more, only another eight more loans, then we won't have any more money to loan out to veterans. We would like to have more money in there just to maintain that so we can provide those loans in the future.

Rep. Karen Rohr: In other words, your obligation is to fulfill all the loan applications you get. You don't have like say I am only going to fund ten this year.

Lonnie Wangen: Yes, that is right. We will grant those loans that qualify.

Rep. Karen Rohr: Have you seen an influx in the last few years?

Lonnie Wangen: As far as I can tell, the loan program hasn't been shut down because it has all been loaned out in the past. There has been an influx and it is a good program for

the veterans. They do pay the interest on it so the interest pretty much if not better than takes care of anything that we might write off for the death of a veteran. It has sustained itself in the past and we believe it will continue to sustain itself.

Rep. Gary Paur: I can understand this Section 2 but in Section 3, unless we have twice as many veterans or unless you intend on doubling the loan amount, I cannot see the reason for the increase. If you are going to keep doing a \$5,000 loan unless the number of veterans has doubled or the amount that you loan out has doubled, why do you need the increase?

Lonnie Wangen: The increase is because the veterans are taking more advantage of this loan program so there has been an increase in the past of veterans taking out loans and we want to be able to provide those. We have 193 loans out right now. We are getting more veterans with the guard and what not coming back. The CVSOs are doing their job and letting people know that there are loans out there for them so we are getting a lot more loan applications and we want to provide that for them.

Chairman Bette Grande: But you are not having the defaults on the loans so are you not getting the payments back in so you can continue the whole process? It should revolve.

Lonnie Wangen: That is right. As they pay them off, the money, of course, comes available for other veterans to borrow against. It is just that we have so many loans out there right now that we need more money to keep the loan program going. Eight more loans and we are out of money to loan out until we get all the other payments back in.

Vice Chairman Randy Boehning: Out of the 193 loans, are all of them in repayment or what is the process? Do they have to make monthly payments right away or is there deferment on them?

Lonnie Wangen: There is a small deferment. You can do an ACH debit and that goes to either the 15th or the 1st of the month I believe. It depends on what time of the month that you apply for the loan. You could be up to about 45 days, but then it is automatically taken that way or you can send in the checks. They can set the date that they want and the next month they start those payments.

Vice Chairman Randy Boehning: Out of the 193 are any of those in default?

Lonnie Wangen: I wouldn't have an exact number on that if there is any in default. We do have a pretty good system of contacting if they get behind, and we do have a collection agency. Before they actually get to a collection agency, normally they will get that caught online. We haven't written off any loans since I believe our current loan administrator has been there for not paying. The only ones we have written off basically are for deaths.

Cathy Halgunseth, Administrative Assistant, ND Veterans' Affairs, appeared. Our loan and grant person couldn't make it today. She is checking on that how many are in default at this time. As soon as I can get an answer, we will certainly forward that on to you.

John Jacobsen, Chairman of the Legislative Committee of the ND Veterans' Coordinating Council, appeared in support. **Attachment 3.**

Mark Landis, Burleigh County Veterans' Service Officer, appeared. Burleigh County has more than 6,800 veterans, more than 10% of the veterans of North Dakota. Annually Burleigh County has more grants than any other county in state. However, the number of grants has decreased dramatically. The veterans' widows have found other sources or have simply done without the needed services. The funding is needed to restore the grant program and I would point out that the fact that there are no grants pending is rather misleading in much the same way as unemployment figures do not include people who have quit looking for work. I hope you will see that the need is real and I urge your support of this bill.

Chairman Bette Grande: Just out of point of clarification, total expenditures out of the grant program was \$217,956 in 05-07, but we had \$387,138 expended so it wasn't as though we did not fulfill more grants.

Mark Landis: When we were told that the funding was low or basically nonexistent for the grants, we still submitted some applications so they got in the hopper so to speak and they could be approved when funding was available. Well people waited for several months and eventually either as I mentioned found other sources or just gave up. I can only speak from the perspective of one county. I can't speak to the perspective of the entire state and I would defer to the commissioner on those issues.

Mitch Olson, Executive Director of the ND American Legion, appeared in support. I represent roughly 28,000 North Dakotan males and females with the American Legion, sons of the American Legion, and the auxiliary. Our goal in the state was to make sure we set the veterans up for success. We have had the largest call up, more than World War II, so we have done all this but we are not preparing for the future. Those veterans will need help.

There was no opposition.

Neutral:

Carlee McLeod, Deputy State Treasurer, appeared. A few things came up in the commissioner's testimony that I thought I could perhaps clarify. From listening to the commissioner I believe that their intent in Section 1 of putting the additional appropriation for spending of the grant program that would in fact be a true appropriation for spending. I have talked to the commissioner and we can help manage that cash to maximize any sort of interest earnings until it is spent. However, that cannot be part of the corpus of the fund if they are to spend the entire \$400,000 over the biennium. It had to be a separate appropriation. There was some talk about compounding interest and adding to the fund. That is not the mechanism by which to add to the fund. I believe the intent in talking with the commissioner would be that if that money were available to them up front, we could then change our investment strategy over the time period that money was available for income. The fund is a fund that is constitutionally mandated to pay out all interest earnings for the benefit of veterans and so it has been invested in that way and at such the corpus

has not been allowed to grow because we know what the needs are of the veterans and we invest it to make the most interest and income that we can. If in fact they have a different funding mechanism we could revisit the way we do that and invest it to provide growth. Then it wouldn't be accruing through income that we would have to pay out right away and then it would be a larger fund that once we started to invest for income again would give greater income down the line. I think that is the thought behind the process. The same would be true then of Section 2 if you were to appropriate money to add to the principle of the fund, we would have more of a fund to work with and maybe then we would have a different strategy in investing so that we would still invest to provide the appropriate income that veterans' affairs needs for the program and we could probably invest some to provide growth.

Chairman Bette Grande: Typically what has happened over the last couple bienniums when the adjustment was found that the fund wasn't being paid out correctly and there were some issues because I think in previous times principle got spent with that and getting the fund back up to the \$4.1—we are currently doing \$200,000 per year in grants so \$400,000 for the biennium?

Carlee McLeod: No. This current biennium the income available is \$200,000 for the entire biennium. If you look at the trends in prior biennium, this is not out of line. The odd biennium if you were to look at the income would be last biennium and I believe that was the time when income was not truly being defined in the correct way and they were dipping into the principle at that time. The highest amount per biennium that this fund has paid out has been right under \$400,000.

Chairman Bette Grande: Per biennium?

Carlee McLeod: Per biennium.

Chairman Bette Grande: This \$400,000 would be just kind of a sit there thing to spend off of and the fund could sit by itself for a biennium to grow and do what it needs to do?

Carlee McLeod: If you provided this income for the benefits, the grants program, then the need for additional income during this biennium while the veterans' affair and the ACOVA was using that appropriation for the grant program would be less. Then we would invest the fund for growth. It would not produce as much income so, yes, it would have the effect of sitting there, if you will. If we had it invested to provide income, we under the constitution would have to pay that out, so we would change our investment strategy and it would have less income and we would invest it solely for growth.

Chairman Bette Grande: We would still have to spend off any income you received?

Carlee McLeod: That is correct.

Chairman Bette Grande: If I go to Section 2 with the \$2 million that would go into and add into the \$4.1. If we put that in there that would go into that growth phase also.

Carlee McLeod: Yes, that would. Let me back up. These decisions are made by the treasurer. If in fact there was an appropriation paying out benefits then that would just be into a growth mode. If you did one versus the other then we would always have to manage the fund to provide the income that they need and to grow the fund as we are able.

Rep. Lisa Meier: Basically what you are saying in Section 1 is the appropriation will be \$600,000 to spend by 2013?

Carlee McLeod: No, that is not correct. If the ACOVA and veterans' affairs tell you all that they need \$400,000 and then that is what you appropriate, we would know that they don't need additional income or we would work with them to make sure that they don't. Then we would invest the fund for growth. It would not produce the same amount of income, so I believe \$400,000 would be what they had to spend.

Rep. Roscoe Streyle: I have numerous questions on the loans. Should I just hold them?

Chairman Bette Grande: Submit your list of questions so that they can address them back, but we will need them addressed back today because this has to be voted out of committee.

Rep. Glen Froseth: Are you saying that you would need Section 1 amended to give you the authority to hold those earnings in the account? Right now you have to make them available for loans and grants so if you were going to hold them in the account and use that \$400,000 as appropriated, this bill wouldn't fit your _

Carlee McLeod: We don't need anything amended. I was just explaining the strategy and the investment strategy that we have gone with to provide income and what is constitutionally mandated to our office. I just wanted you to understand how that would play out in our office and with existing law outside of this bill.

Rep. Glen Froseth: Being you are constitutionally mandated to expend those earnings on Section 1, wouldn't you need some kind of language to allow you not to expend those the next biennium?

Carlee McLeod: No, we don't need that. The language is that all income on the funds shall be paid out. We determine how it is invested to provide income and that is a duty of the treasurer. If you are giving them money, we can invest the fund in a different manner under the existing law that we have.

Chairman Bette Grande: Committee, I have some information brought down from council. This is a breakdown, post war trust fund summary of expenditures and usage.
Attachment 4.

Carlee McLeod: Not having the bill in front of me, Rep. Froseth is correct. In Section 1 the language is that you shall transfer to the veterans' post war trust fund. It should be transferred to veterans' affairs rather than the post war trust fund. If you will look at the Line 7 of Section 1, it says that the transfer should be made to the post war trust fund. If you do that then that would become part of the fund but if you transfer it to veterans' affairs

then that would be a different matter. Then they could spend it how we have been discussing that today. Instead of post war trust fund, veterans' affairs. That is up to the committee, but that would be the mechanism you would need if that is the approach you take.

Chairman Bette Grande: Lonnie, what was the intent in the language of this bill?

Lonnie Wangen: That was the intent of the language in the bill. Before it went to Legislative Council, it did say Department of Veterans' Affairs. That is correct that it would have to go to the account with the Department of Veterans' Affairs for spending. Of course, we would work with the treasurer's office to get that into an interest bearing account so it could earn some interest while we spend out of it.

Chairman Bette Grande: Then at that point the intent here is that they reinvest in a growth phase, not an interest phase. This money would go into kind of that interest and spend out right away, but then you want them to take the current fund and put it in, and I call it in hold mode, but that growth mode.

Lonnie Wangen: Yes. The idea is to let the post war trust fund grow for the biennium and the interest earnings after that the ACOVA and the treasurer's office can look at that, reinvest some and budget what we need for the next biennium. Of course, it will be able to do the same thing in the biennium after that is sit and grow.

Chairman Bette Grande: It is the understanding of the commissioner that there would be very little interest coming from the post war trust fund to enhance the \$400,000 because we would be moving that to not have high interest growth?

Lonnie Wangen: Yes, that is correct.

Rep. Glen Froseth: Could we have Carlee and the commissioner work on those amendments? We have to get this out today or tomorrow.

Chairman Bette Grande: If we can get information together, we do have to have this out by noon tomorrow. All appropriations have to be out of this committee.

Lonnie Wangen: We will work on it right after this.

The hearing was closed.

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Provide an appropriation to the OMB for transfers to the veterans' postwar trust fund and veterans' aid fund

Minutes:

Chairman Bette Grande opened the discussion on HB 1468. The amendment was presented. **Attachment 1.** As you noticed during the hearing, there was a discussion on how that \$400,000 would be utilized. Both the treasurer's department, who was just looking for direction, and then Lonnie got up and talked about the fact that they weren't looking for this to be in the post war trust fund but it was actually to be outside of the post war trust fund so that we could leave the post war trust fund to build up its money inside allowing them to invest differently to build some of that up. That is what this particular amendment addresses with that one issue. Does the committee have any discussion as to the dollar amounts that were laid out in those three areas?

Rep. Roscoe Streyle: I had to ask a few questions of them. The average term left on the loan meaning basically the number of years, 2.57 years. The average principle payment coming in for all the 193 loans monthly, about \$10,000. Over a year if they made no new loans, they would have \$120,000 additional. I think the ½ million is way too high personally. In fact I don't know that it needs to be much at all.

Chairman Bette Grande: As you look at those numbers, I am going to work with you on that. Do you feel that are we looking at trying to adjust that? The number that came to me was really—if they have \$100,000 coming in and we gave them another \$100,000 they should be able to be turning those loans over and working plenty fine with that.

Rep. Roscoe Streyle: My thoughts were 50 to 100.

Chairman Bette Grande: Does the committee agree that would be a friendly amendment at this point to move the \$500,000 to a 100? We will add that to this list. Discussion between 100 and 50.

Rep. Roscoe Streyle: 50 would give them a 100 then over a year. That's granted if no loans are being made.

Chairman Bette Grande: 50 would give them a 100 more loans?

Rep. Roscoe Streyle: No, that would give them roughly \$100,000 right now. They had \$44,000 so about \$94,000 but then as principle is being paid down monthly, the average payment was \$54 and some odd cents per loan in principle only.

Chairman Bette Grande: I see what you are saying. Committee, I don't have a preference on what number you choose on this.

Rep. Roscoe Streyle: I would assume appropriations is going to hack these anyway.

Rep. Gary Paur: This \$2 million that they take the income off of now, that just goes to these loans?

Chairman Bette Grande: \$2 million goes into a different fund altogether.

Rep. Glen Froseth: Maybe it would be well for the treasurer to give us an update on how this fund originated and how it operates.

Kelly Schmidt, State Treasurer, appeared. Back in the 1990s there were a few dollars that were left over from I believe it was named a Korean fund and a veterans' fund per say, and a constitutional amendment was put in front of the people of North Dakota that asked them to establish the veterans' post war trust fund. That was passed by ballot and \$4.1 million was transferred in to the treasury over a period of time which created the veterans' post war trust fund. The responsibility of the treasurer's office is to invest those dollars with all income going to the benefit of veterans and the dollars are distributed to the ACOVA and expended by the ACOVA. To date we have those dollars invested both in equities, stocks and bonds, and in CDs. The calendar rate of return for 2010 was 10% for the equities portion and the average interest rate that we have right now on the CDs that we have invested which is about \$800,000 is 1.69%. Back in fiscal year 2007 the total return on this fund was 10.66% and back in fiscal year 2008 the total return on this fund was a -4.66% which was very good in light of the returns and what happened in 2008. The standard and poor's return for the fiscal year 2008 was -13.11% so we were pretty pleased with our negative number being only as negative as it was. Currently our equity rate of return in fiscal year 2009 was 14.6%. What happens is we get reports that are based on calendar years and we have to turn them into fiscal years to make sure that when we come and we share numbers with you that all of our numbers are exactly the same numbers. I didn't grab that sheet when I came down. All the investments that are part of this portfolio are put on to our website every month as they are calculated. For calendar year 2010 we are looking at an income amount of \$229,698 that has been produced by the veterans' post war trust fund. Biennium today gross numbers are \$269,760.78. When I say gross that does not include any expenditures that have gone out to the veterans so when a transfer has been made, ACOVA has made a decision that they request a transfer quarterly of \$25,000 and we make that transfer into their 410 account which is their per checking account for lack of a better term. To date in that account they have an excess of over \$50,000 that has not been spent and that amount has been there since early December.

Vice Chairman Randy Boehning: If this bill passes, then basically we are going to take the post war trust fund and put that on hold for two years so it gains some equity into it? Have the other \$400,000 in the appropriation?

Kelly Schmidt: If there was an opportunity to not be pulling dollars out of the fund, it wouldn't be an opportunity for me to change the investment directive of this fund from an income producing fund to a growth producing fund. Now mind you the Uniform and Income Act required by law that all income produced by this fund has got to be expended for the purpose of veterans. The only way to truly increase this fund or the principle of the fund is to increase the corpus. In your bill I believe they have requested \$2 million to increase the corpus of the fund which would provide an opportunity to add more income. Whether we change it from growth or from income there is an opportunity but I don't have a crystal ball and I am not going to stand here and tell you that this fund is going to gain or going to lose because I don't know what is going to happen to interest rates and I don't know what is going to happen to the markets. It would be irresponsible for me to stand here and think I do.

Rep. Gary Paur: To me that \$2 million seems reasonable as far as bringing the buying power up, but if we would just do this \$400,000 it would be possible that the fund would grow on its own, the initial payout. Then you could deposit the money differently. Would that be a viable option?

Kelly Schmidt: The fact remains that no matter what happens to the corpus of this fund any income has got to be expended. Even if we put the fund on hold today and let's say we earn \$50,000 in income this year, it has to be expended. It cannot be added to the corpus or the principle of the fund because the law does not provide for that.

Rep. Gary Paur: Your different investment strategies...

Kelly Schmidt: The different investment strategy would give an opportunity to increase the dollar amount of the income that may be available to them if the markets are indeed going in a positive direction. All that is going to do is allow for them to spend additional dollars based on their current rate of return. What we have done to determine that \$200,000 is we have taken a look back and determined dividend and interest income for this fund and what has been historic. We have determined that \$200,000 is a reasonable number for a biennium and we have instructed them that at the end of this biennium we will do the same thing. We will look back at what we have earned this past biennium and we will determine then the portion that will be available for them so they are able to budget and move forward.

Rep. Lonny Winrich: Earnings on the fund then are dividend and interest and growth would be like capital gains?

Kelly Schmidt: Yes to the first part of the question about earnings. Realized losses or gains net. That would be considered income.

Rep. Mark Sanford: The assumption here is the average return of 4.07. If they return that level and followed the plan here to put in the \$2 million and got an average return of

4.07 that would permit them to put almost \$100,000 back into growing the principle and still have returns of the income necessary to meet this goal of \$200,000 and a little more each year to meet. To me 4.07 seems like a fairly doable percent over a long period of time.

Kelly Schmidt: I don't know where you got that number.

Chairman Bette Grande: Lonnie's testimony reads in Section 2 funds for post war trust fund and he goes on to say the average interest funds transferred to the veterans' programs since 2005 is 4.07373. I don't know where he got that from.

Kelly Schmidt: I don't know what he bases that number on. I don't know if that is a net number or a gross number. I can't comment on his number. I don't know where he got it from.

Rep. Mark Sanford: Anyway using that number, assuming his mathematics is correct, you probably would expect to exceed that rate of return over time.

Kelly Schmidt: We have exceeded that rate of return over a lot of time.

Rep. Mark Sanford: If you brought that expected return up to 5 or 6% it probably wouldn't require \$2 million then to achieve the same goal if you were patient or whatever? This is a modest expectation.

Kelly Schmidt: I would contend that the rate of returns have been in excess or right around that 10% mark with the exception of fiscal year 2008.

Vice Chairman Randy Boehning: Do they have to spend all the money that comes out of the fund every year?

Kelly Schmidt: Whatever the income is to this fund has got to be expended for the benefit of veterans. The income is transferred to ACOVA or to the veterans' affairs office. Once I have made that transfer, my responsibility has ended and it becomes their responsibility. If they choose to pool \$20,000 and not spend it, that would be their decision to do that. I just know what the laws say that I have to do with it.

Vice Chairman Randy Boehning took over the meeting as Chairman Grande had to leave.

Vice Chairman Randy Boehning: Basically once the money is there you give it to them whether they spend it or not, if they want they can carry some of it over.

Kelly Schmidt: That would be my understanding. There is no law that would preclude them from doing that. I would also contend that if my office didn't receive that phone call or email at the beginning of every quarter asking for a \$25,000 transfer when we have \$50,000 already sitting in their account, we could continue to have that amount invested until absolutely the time where they did need it. There may be a time where they know their expenditures and they say we have \$10,000 in grants we need to pay, they send us an email and we transfer \$10,000 into their account and they expend it then. I have visited

with them on the opportunity to try to change that mindset especially with the CD rates as low as they are. I still have a few CDs with them that are 5%. Let's leave everything we can sit there until you absolutely need it.

Rep. Mark Sanford: Relative to definition of income is that just money that comes from interest? Does it include dividends? What happens when you sell a stock and buy another stock? Do you take the gain? Is that income? Are all of those things definition of income?

Kelly Schmidt: Definition of income as defined by the Uniform and Principles Act is interest, dividends, and realized gains, net.

Rep. Mark Sanford: In other words we don't want you to sell too much then?

Kelly Schmidt: I watch this thing like a hawk. For those of you that know me, this fund is near and dear to my heart. She has sons in service. We have done everything we can to make sure those realized losses weren't realized. We have held up on things to give us every opportunity to make sure that they have the dollars that they need and that is evident with the returns. When most endowment funds were losing 28 and 30%, we lost 4.66.

Rep. Lonny Winrich: What is growth? How does the fund grow?

Kelly Schmidt: That is the challenge. It doesn't grow and the reason it doesn't grow is because the Uniform Income Act provides that all income goes to benefits so you can't grow and spend at the same time. Really the law does not provide us to grow the fund. It may grow in unrealized gains. We may look at them, let's say the market goes way up and we see the balance of this fund as \$5.3 million. Until we actually take income and it is realized—what's realized or unrealized are very different numbers—we are not allowed to grow the corpus. We are not allowed to grow the principle of this fund because all income or all dollars produced go to veterans.

Rep. Lonny Winrich: Then I don't understand the purpose of Section 2, the \$2 million. I thought that was to give the fund a chance to grow by way of a different investment strategy.

Kelly Schmidt: I believe that it is the intent of Section 2. The reality of Section 2 is that we cannot grow the corpus of the principle of this fund. What it would do is it would allow me to change the investment strategy to be able to increase the income or increase the amount of money that I can earn for the fund, but I will have to spend it and we would have to spend it for the benefit of veterans but we would be able to build it up over that one year biennium period because if they were given that \$400,000 they would just spend that \$400,000 instead of us distributing money. We could continue to have the income available but that income would still have to be spent on veterans. We could not add it to the principle.

Vice Chairman Randy Boehning: Rep. Winrich, you are talking about the Section 3 where we are going to appropriate \$2 million into the fund?

Kelly Schmidt: Then I looked at the wrong section. I thought it was the \$400,000. The \$2 million would be added to the corpus or the principle of the fund that would give this fund an opportunity to provide more income if the markets are in a positive light for us to be able to give benefits to veterans. That would go to the growth of the fund. It would increase the corpus per say from 4.1 million to 6.1 million.

Rep. Lonny Winrich: It would not allow the fund to grow by itself?

Kelly Schmidt: No, it would not.

Rep. Lonny Winrich: That would be a growth spurt and then we are locked in at that level?

Kelly Schmidt: Right.

Rep. Mark Sanford: One of the things he submitted this morning was that the goal was to be able to take \$96,000 per year for reinvestment into the, this Section 2 here. He talks about earning \$200,000 a year for expenditures and another \$96,000 a year to reinvest plus a 3% above that. That would grow that \$200,000 cost of living. That \$200,000 if it went up 3% cost of living that would go up to \$206,000 then the next year. They still would have almost \$97,000 a year to reinvest and to build this 4.1 plus 2 million, 6.1, to build it up to 7.2 or 7.3.

Kelly Schmidt: The ACOVA nor the commissioner of veterans' affairs have any authority over the investment of what goes on with this trust fund. They only have authority over the expenditures. I am disappointed that the commissioner of veterans' affairs has taken on that role because I don't know the numbers that you are talking about.

Rep. Mark Sanford: My question really is would they have the authority to reinvest \$97,000? You did the investment. You paid them the return, and they turned around and said we are going to give you \$97,000 back to build on the corpus.

Kelly Schmidt: It is my understanding that the law does not provide for that.

Rep. Karen Rohr: Do you think they need this \$2 million?

Kelly Schmidt: I prefer not to answer that question.

Rep. Lonny Winrich: I think perhaps Commissioner Wangen has a mistake in sense of what he is asking for as I did until Kelly answered the last question that I asked. I am sure this bill does what he wants it to do.

Vice Chairman Randy Boehning: That could be possible. I don't think he actually worked directly with the fund. It was the ACOVA board that did the work with it. I think he is in the outside looking in.

Kelly Schmidt: There has been a lot of confusion and we have tried very hard to try and provide information but it is a difficult concept. It has been a challenge. Every time we start

working the ACOVA changes and we have different folks that are in there. We attend their meetings. We are there to answer questions. We provide as much information as we can. No one did come in and talk to us about this bill before it was presented, and we would have been happy to work with them to provide whatever they needed to bring out the information.

This meeting resumed at 4:15.

Chairman Bette Grande: We were in the discussion on the loan portion weren't we? We were in discussion at the time between 50 and 100,000 on Section 3. What direction do I take from the committee here?

Rep. Roscoe Streyle moved 50,000.

Rep. Lisa Meier seconded the motion.

A voice vote was taken. Motion carried to add that to the amendment.

Chairman Bette Grande: Are we okay with the \$2 million?

Rep. Lonny Winrich: In questioning while you were gone it came out that the \$2 million is a one-time growth of the trust fund that it would not continue. I understood Commissioner Wangen this morning to indicate that the trust fund would be able to continue to grow and appreciate with this understanding. I am really wondering if this bill does what he wants it to do.

Chairman Bette Grande: That has been my question about this bill since the first day I read it, and I haven't been able to really clearly understand. Initially he came to me and said can we have \$12 million? I have a feeling that there is a misunderstanding amongst the ACOVA and with the commissioner as to how this whole thing works. If any explanation was done with the commissioner's testimony, there is still a great misunderstanding between the ACOVA, the commissioner, and how things work. They for some reason have a perception that they can just ask for this money all the time and they don't understand that it is set up in this fashion so that they don't run out of money. Yet they feel that they should be able to take it and it magically grows again. I don't know how to explain that to them. We have had numerous meetings with them, and I don't know the best way to say that if the fund was given \$2 million and said this is now a part of the 4, so now you have 6.1 to invest they still have to say we have x amount of dollars we need so that you would have to invest it in a fashion to make sure the interest came out to what met their needs.

Kelly Schmidt: That in itself has been part of the problem. There will always be needs but we have to spend within what is available to us. That is part of the concept too.

Chairman Bette Grande: As you can see the frustration because trying to explain this to the ACOVA has not been easy.

Rep. Lonny Winrich: I think I appreciate that, but I find it hard to support a bill that is mistaken in concept.

Chairman Bette Grande: I am leaving this for the committee to have this discussion. I don't want to come in and tell you what I think. I want you guys to make a decision on your own with some of that.

Vice Chairman Randy Boehning: Are we in order for the amendment?

Chairman Bette Grande: Yes.

Vice Chairman Randy Boehning: I would move that we remove Section 2, Lines 10-16.

Rep. Karen Rohr seconded the motion.

Rep. Gary Paur: I have no problem with that \$2 million. I believe it would bring up the fund to the original intent when it was established, bring it up to the buying power of that initial fund. I think the appropriation would be justified. Whether we should do it or not, I don't know.

Chairman Bette Grande: Treasurer, was not the height of this fund 4.1 and that is where the fund is at, 4.1?

Kelly Schmidt: The origination of the fund was 4.1. It is currently at 4.2.

Rep. Mark Sanford: In the discussion with the treasurer earlier we talked about return and what he presented this morning on rate of return and so on. I am looking at \$4 million and 5% and I am getting \$200,000 a year. That is the goal isn't it?

Chairman Bette Grande: I am going to go with what you just said. If we put \$2 million in we would be able to have another \$200,000 to spend so she would be turning over \$400,000 a biennium for spending?

Rep. Mark Sanford: At that rate another \$100,000.

Chairman Bette Grande: \$300,000.

Kelly Schmidt: It has been doing more than that.

Chairman Bette Grande: Explain to me how that it works then. If we make this a 6.2 fund...

Kelly Schmidt: If you make it a \$6.1 million fund—the reason it is 4.2 million right now is because we have a fund balance—the principle is available to earn additional income so that would indeed provide additional services to the veterans as expended by ACOVA.

Chairman Bette Grande: If we were to remove the 2 million and keep in Section 1 where they get to hold the spending off, how does that affect the fund as if they use for the next biennium the 400 that we give them? What happens the next biennium?

Kelly Schmidt: If they were appropriated \$400,000 to use on programs and not spend or request a transfer from the veterans' post war trust fund that money would still be set aside for benefits for the veterans. It has to be expended. It cannot be added to the corpus of the fund, so we couldn't take that, let's say we had income earnings during the biennium of \$200,000, I could not take that \$200,000 and add it to the 4.1 million and make it 4.3 million. The law does not provide for that.

Chairman Bette Grande: If you were asked to invest it differently and not get those kinds of earnings, can you grow the fund that way? No.

Kelly Schmidt: There is nothing in the law that says we can grow this fund. All income has got to go for the benefit of veterans.

Chairman Bette Grande: For me by hearing that we might be doing this in reverse. What we should be doing is maybe not doing the \$400,000 but we should give the infusion of a larger sum for you to work from. Otherwise we can't grow the fund to have you give out more money. They are still at that level they are currently at but beyond that if they use their \$400,000 plus the interest earnings that they have to spend they are going to have a big jump for a biennium and then they are back to not.

Kelly Schmidt: \$400,000 will help the veterans today. \$2 million inflexed into the post war trust fund will help veterans today, tomorrow, and many years from now.

Rep. Lonny Winrich: What bothers me is the indication on Commissioner Wangen's documents that in the first year reinvest \$96,760 and the second year, \$127,100 and so on. I don't think he can do what he is proposing to do from what the treasurer has told us.

Chairman Bette Grande: I believe you are correct in your interpretation. My question, treasurer, is there a better way to word Section 2 instead of eliminating Section 2?

Rep. Mark Sanford: I was just going to follow up on what you had said. Again if you took that Section 1 funding then at \$400,000 and rather than put it out there into that fund, put it in Section 2, that would get your corpus at 4 ½, 4.6 because you would be putting it directly into the trust fund. Then the earnings is what they would have to spend.

Rep. Gary Paur: I think what personally we should do is take out Section 1 and 3 completely and just go with Section 2. To have similar buying power now, 14 years later, what do you think that fund would have to be to have similar buying power?

Kelly Schmidt: If we look at past rate of return and look at that certain dollar amount I think there would be an opportunity depending on rates. I hate to stand here and try to forecast, but if history says that we can continue to do with this fund as we have done, there should be a substantial increase in what is available to the veterans, perhaps \$100,000 to even perhaps \$200,000 more than what they are currently receiving. They

have never spent \$400,000 in a biennium. We have done a study with NDSU and the mathematics department relating to the post war trust fund. We are just now getting the final details put together and we should have that information available to the appropriations committee when they move forward on some of these later on.

Rep. Karen Rohr: If we as a committee decide to infuse \$2 million into this fund and beyond the treasurer's responsibility to expend that amount as the constitution tells you to do I have a concern about the accountability of the spending of the money then that remains.

Chairman Bette Grande: You mean in responsibility to requesting how the interest will be spent?

Rep. Karen Rohr: When it goes over to ACOVA?

Kelly Schmidt: It is transferred to the Department of Veterans' Affairs in their account and the budget and the expenditures of the fund are controlled by the ACOVA, the administrative committee of veterans' affairs.

Rep. Lisa Meier: If we amended out Section 1 and Section 3 and just left Section 2 to state the \$2 million would be added to the fund as it is, the funds would be expended from the additional \$2 million in 2013? Correct? Or 2012?

Kelly Schmidt: We would expend the money as soon as the income is available. If the interest rates turn around and I can get some great returns on that \$2 million, it is there and it is ready for them. We will try and build in what amount we can give to them for their planning purposes in the 11-13 biennium with an influx of money if it is so passed.

Rep. Lisa Meier: That basically does what the bulk of the bill is trying to do then? They would have the funds readily available and that would give them a nice bump.

Kelly Schmidt: It would give them a nice bump if the returns are there. If I look at the current biennium and the amount of money that we have earned and what can be available to them next biennium, we will give them that number for their budgeting purposes. If there is an additional \$2 million there, I will take a look at okay if we would had \$2 million included in this principle what additional income would it return and we will take that into consideration when we give them a dollar amount to spend for next biennium, but I am not going to give them the farm. The market and the volatility—that would be irresponsible.

Chairman Bette Grande: Line 15 at the word for the biennium beginning July 1, 2011 and ending June 30, 2013. What is that language for?

Kelly Schmidt: I don't know the purpose of that language.

Chairman Bette Grande: To me it is like they want to expend some money during that time period that may or may not be available due to the investment time period.

Kelly Schmidt: If this \$2 million is added into the veterans' post war trust fund, it becomes part of the corpus and it is ruled by the law which is part of that Uniform and Income Act.

Chairman Bette Grande: I think, committee, we would have to really look at maybe removing that language so that we don't have a spending issue in there.

Rep. Lonny Winrich: Can earnings from the veterans' post war trust fund under the law support the veterans' aid fund?

Kelly Schmidt: I don't work with the veterans' aid fund. That is a completely separate fund and where those dollars are received I am not familiar with that one. I believe it is an appropriation. I don't know. I know the dollars do not come from the post war trust fund.

Rep. Lonny Winrich: I don't know if we eliminate Section 3 that earnings and just throw in the \$2 million that those earnings can support the aid fund. I think we need some help from council.

Chairman Bette Grande: I think we have had great discussion on this but I don't think we can act on this today. I think there is a lot of work that needs to be done on some wording on this. Treasurer, would you help with some language—first off, I have a motion on the table. Rep. Boehning would you like to withdraw your amendment?

Vice Chairman Randy Boehning: I withdraw the amendment.

Chairman Bette Grande: Treasurer, would you help me with some wording on Section 2 to make sure it is doing what you hear the committee wanting to do. I also want to continue to continue to look at Section 3 in that I don't want to mess up this loan program. I think the loan program is really good. If there is something we need to do with that, I want to find out where that is coming from and what it is about. It concerns me to have these dates written in here.

Kelly Schmidt: I would be happy to have Carlee take a look at those and perhaps get some insight. She is a lawyer. I know sometimes veterans' affairs prepares their own bills and I don't know if this may be one of them.

Chairman Bette Grande: I believe this came from Tim Dawson. Let's work with him on that if Carlee would do that and you may certainly use my name in drafting amendments.

Rep. Glen Froseth: I would like to suggest that in Section 2 we make that \$1.9 million and Section 3, \$100,000. That would bring that fund up to an even \$6 million.

Chairman Bette Grande: The 1.9 comingled with the 4.1 will give them 6.

Rep. Glen Froseth: Right.

Chairman Bette Grande: Then you are looking at the 100 for the loan process understanding that is separate from the post war trust fund.

Rep. Glen Froseth: Right.

Rep. Ron Guggisberg: Should we talk with Lonnie or somebody and see whether it is 50 or \$100,000 how many loans he figures he is not going to be able to grant depending on the difference in money?

Chairman Bette Grande: I am not sure that he has a list of loans out waiting. He says he can still do 8 to 9 loans available, but it doesn't say that he is expending those at this point. I will give him a call.

Rep. Ron Guggisberg: I do think that he testified that they have been increasing the last two years.

Chairman Bette Grande: They have been.

Rep. Gary Paur: They are doing a study which is coming to the appropriations on this matter. I wonder if we just pass the bill with the \$2 million—I like Rep. Froseth's idea—would it be possible to just let appropriations adjust it to match what the study would show?

Chairman Bette Grande: We can.

Kelly Schmidt: Just for clarification then. Do you want the 1.9? Do you want it 2.?

Chairman Bette Grande: I like 1.9.

Kelly Schmidt: Then the 100,000 in the other section. That is what we will work for your review.

This is the end of this meeting.

2011 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee
Fort Union Room, State Capitol

HB 1468
February 4, 2011
14051 (First Set)

☐ Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Provide an appropriation to the OMB for transfers to the veterans' postwar trust fund and veterans' aid fund

Minutes:

Chairman Bette Grande opened the committee work meeting on HB 1468. I would like to Rep. Streyle to go over what Mr. Wangen said regarding the loans.

Rep. Roscoe Streyle: 2.57 is the average term left, roughly 30 months. \$54 roughly per loan. There are 193 loans, principle payment per month which amounts to about \$10,000 per month in principle payments. Therefore, they would be able to end that out. That is additional two loans per month roughly. I asked him about why don't they put credit life insurance on these loans because anything under 5,000 you can put credit life insurance? It doesn't matter if you have any cancer or anything. They cannot deny you coverage under 5,000. They don't have an agent to do that.

Chairman Bette Grande: Why can't they go to a local bank and get that? Why do they have to have one from their office to do it? Can't they use somebody in Fargo?

Rep. Roscoe Streyle: I would think that since they are originating the loans, I don't know that you can go. That is a good question. I am not sure. On our loans when we do it all you need is date of birth, name. It calculates premium right in the program, but I am sure they don't have sophisticated loan software that they sign the note. I suppose they could contract with that. I am not sure if that would work or not. If they just have a piece of paper that they sign a loan, not computer generated, I don't know what their procedure is for loans. They would have to send somebody and get their license. It is very easy.

Chairman Bette Grande: I would think if we are dealing with ½ million dollars plus we would want to have some ___ on some of the loans or something.

Rep. Roscoe Streyle: Especially if they are older and if they have conditions. With the 5,000 like I said it doesn't matter. North Dakota state law says it doesn't matter if you are going to die in three weeks, you are guaranteed issue of 5,000 which doesn't make much sense but that is what it is.

Rep. Glen Froseth: I don't know the structure of how they issue these loans, who reviews them, and who determines that the loan is feasible or not, but it seems to me they must have somebody on staff that does that and why couldn't that person be required to have the authority to write the insurance on it then also.

Rep. Roscoe Streyle: I could call back to the bank quickly and get what the premium would actually be on somebody, we can pick an age, 50, or whatever. It gets calculated into the monthly loan payment. We make money on that too. They would be making a little bit of premium income from it too.

Chairman Bette Grande: Since we don't have the amendments yet if that is not a problem, just maybe run a scenario on 50, 60, and 65 years old.

Rep. Glen Froseth: Could we just write into the amendment that loans must be secured with credit life insurance?

Rep. Roscoe Streyle: It could be optional. We can't legally force them to do it. We can strongly encourage them.

Chairman Bette Grande: Your last comment was bigger than you realize. The oversight is just not there anywhere in this whole agency. I am hoping we can start working on getting chain of command and oversight in place because we are not seeing the oversight that needs to be there. I will talk with the appropriations committee and see what they can do as far as in the overall budget that there be some oversight language added so that we can start seeing a little bit more transparency of what is going on in that overall office. It is an odd way of doing business by having a committee of 15 trying to run an office. It was studied for two years, four years ago, and we looked at a lot of things over the interim again. It is hard to get your hands around what is going on. We had asked about what growth in numbers alone took place over the past four years. We got no information down.

Vice Chairman Randy Boehning: Rep. Streyle, when you talked with the commissioner did he say what the interest rate and what the length of the term was on these loans?

Rep. Roscoe Streyle: I think the maximum according to his testimony was 48 months, 8% and then they rebate it if you pay it back so essentially it is a 4% loan. It is a pretty good deal. I don't know. We could argue that both ways whether or not that is too cheap or not. It is good that is helping the veteran but probably not a very good return.

Vice Chairman Randy Boehning: Maybe we can do something in lieu of the interest rebate that they carry like credit life.

Chairman Bette Grande: Personally, I am kind of to the point where I am looking at this and I am wondering if this shouldn't be handled under the Bank of North Dakota or something that actually does loaning. The amendments are still up in council. We will set this aside until we can get the amendments for the \$1.9 million. I will do some checking to see if I can get some answers out of the VA's office on how these loans are being administered. I just don't think we got a good picture on it at all.

Rep. Lonny Winrich: Rep. Streyle, how is the premium for the credit life insurance typically handed? Is that added into the interest rate on the loan or a separate payment closing cost or what?

Rep. Roscoe Streyle: Yes, it is calculated into your monthly premium and say you pay that loan off, you get credited. You don't lose the premium. If you pay it off you are not going to be responsible for the remaining 20 months worth of premiums.

Rep. Mark Sanford: I am still struggling with the amount just simply from the history of what the expenditures have been and what this would potentially raise. If you look at the handout on the veterans' post war trust fund summary of expenditures and usage, the highest usage in the biennium has \$387,000. When I look at \$7 million and I take it times 3%

Chairman Bette Grande: Some portions are 10% and the other is averaging around 2.

Rep. Mark Sanford: My point being that 3% return would give you the \$200,000 that they hope they get to, so I am not sure that the principle or the corpus needs to be \$7 million. I think the assumption that he made when he presented this was that it didn't have to be that big. The idea would be that they would turn back almost \$100,000 back into building the corpus, but we were told they can't do that. If you take \$7 million and if they are getting 10% return all of a sudden they are going to \$700,000 a year when they have been spending 350 over two years. I am wondering about that number, if that is the appropriate number. It should be a more modest number. What you suggested is being able to get more of a handle on the operations and so on, so maybe if you made a more modest investment there and coupled it with an attempt to spend time over the interim or however you were imagining. Maybe that would make more sense and they still mathematically at least should have a chance to quite easily reach that bogey of \$200,000 a year.

Chairman Bette Grande: One of the issues that they have and was brought up by Mr. Landis saying that they are hoping to kind of build this and get this all up so that when we have a lot of the Afghanistan because they feel that there is going to be more of a need and a call but we still fall back on if it has to be spent, it has to be spent and if they are not there to use it yet—the timing isn't quite right. Something is not matching up with the timing when we are looking at these numbers and what we are being asked of here. To me it comes back to the understanding that the ACOVA doesn't understand how the post war trust fund works and so with that they don't understand how to get the money to use it. I am not sure we should do the money at all until we get a handle on the fiduciary of the fund and an oversight on the financial side. We have to get a handle on the money and how it is being used and have people that actually know how to do that in place to do it on a board. Just like every other board of directors, your banking board of directors is made up of who—business people, people that deal with money, other bankers. Your nursing home board of directors here in town is made up of people that know an issue on how to deal with a nursing home. Right now we don't have that in place for this organization. My frustration starts to rattle when I see things like this, and I see the testimony that doesn't match up with what they are asking for and their understanding of how it is used. We will put this on hold until we see the amendments come down.

Vice Chairman Randy Boehning: Have they been audited?

Chairman Bette Grande: Yes. The last audit was a little better, but they had a terrible audit that has caused a lot of these over the last four years. They have not ever come out real well, and that is why a study was done and commissioned over this post war trust fund too. It was not set up and managed correctly from its inception so we have had these things going on for quite some time. Now it is that shore up and put it together and that is what has thrown the ACOVA into a flux over how this is suppose to be done.

Rep. Mark Sanford: Just an observation. Audits are about compliance and compliance is one part of financial management. Stewardship is probably a bigger section of that. How are you using it? What are you using it for? Intended purpose? You didn't break any laws when you spent it but you put it all on dessert rather than the real meal or whatever kind of a deal. I am not suggesting anything here but audits don't always tell you the whole story in terms of how it has been used.

Chairman Bette Grande: When I asked for some reports from the office there, I said give me a layout of how this money was spent. Back about eight years ago the ACOVA was using it for meetings, transportation, and it was being used very broadly. If we are meeting, we are meeting to help the veterans so then we should be able to use the post war trust fund. We need to buy a van, so we are going to buy it out of the post war trust fund. This is how these funds were being used and then they wondered why there wasn't money for grants. We will just do the grants anyway on top of it and we will spend into where we are not suppose to spend. That has been reigned and reigned in. Now we are down to where they are talking just grants, but they wanted to do more grants so they were changing what qualified for the grants. They were moving poverty levels. They are loving, caring wonderful people, but they are not fiduciary responsible for what has to take place. We need to find the common ground to how this should take place.

Rep. Karen Karls: When you are a member of the ACOVA 15 member commission, is the only requirement that you be a veteran? Couldn't they have some accountants and bankers that are veterans?

Chairman Bette Grande: You have to be a veteran that belongs to one of the five veterans' groups. Then a slate of three names is submitted to the governor's office from their group. If that group would want to find an accountant and put it forward that would be a nice concept. The governor picks the one. There are three of those. They rotate those three. These three rotate out of that group. These three rotate out of this group, this group, this group, and this group. The other thing I have found interesting is as you see in Mr. Jacobson's and Mr. Schuchard's testimony, the whole group comes in. Everyone must be in agreement of the 15. We have had testimony where they stand up and say that and one of the 15 stands up and is in opposition or neutral to what is going on. They want to come in and say they are unified in doing that because that is what got them their group to start with. You wonder what semantics are being played when that takes place.

Rep. Ron Guggisberg: Do they elect those three people and then the governor picks one of the three and then the next time he has to pick one of the other two?

Chairman Bette Grande: No he doesn't have to pick. Then they bring in a new slate of three.

Rep. Ron Guggisberg: They are elected, these three?

Chairman Bette Grande: I don't know how they come up with their three names. That is up to their group to submit three names. Whether it is elected, whether it is the hierarchy, whether it is who is in the meeting that day, I don't know.

Rep. Roscoe Streyle: Fifteen seems way too many to me. Can't that be two per group? Most boards even in large corporations don't have that many. Is that not changeable?

Chairman Bette Grande: That is changeable.

Rep. Vicky Steiner: I took a master's level class at UND and anything over 9 is considered dysfunctional.

This was the end of the first part of this committee work discussion.

2011 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee Fort Union Room, State Capitol

HB 1468
February 4, 2011
14051(Second Set)

☐ Conference Committee

Committee Clerk Signature

Carmen Hunt

Explanation or reason for introduction of bill/resolution:

Provide an appropriation to the OMB for transfers to the veterans' postwar trust fund and veterans' aid fund

Minutes:

Chairman Bette Grande started the continuation of the committee work on HB 1468.

Rep. Roscoe Streyle: I have some numbers here. 69 and under it is guaranteed issue. The premium for 48 months for \$5,000 is \$79.82 which works out to a \$1.66 or whatever a month. It is very inexpensive. Of course, \$2,500 I believe was their average loan, so cut that by 239.91. I don't think they are doing every loan at \$5,000. That is just the maximum.

Chairman Bette Grande: Did you find out anything about if we can't necessarily make it a requirement?

Rep. Roscoe Streyle: I don't know how their structure works. They don't seem to be regulated, so maybe they could. We certainly can't as a basis for making that loan. We can strongly recommend it.

Chairman Bette Grande: I want to throw something out just so we have something to work off of and you tell me if I am way out in left field here. I want to look at an amendment. I as the chair am not offering any amendments. From what I am hearing from you take away Section 1. Do I have agreement in that? There was agreement. In Section 2 we have been kind of all over the board on this, and I think from the discussion this morning we may still be thinking a little too high at 1.9. Somebody was talking about putting that at \$1million and that gives them a little extra spend on this and I think what we could do at that point is in another biennium after looking at how this grows, what happens to it, what are their grant issues. Do we need another million at that point as we see more veterans coming to the table for this? I know the one thing that I find important with this is a lot of what they do with this grant money does have to do with hearing aids. I know there are a lot of hearing issues coming back, but this grant money that they are talking about from the post war trust fund are for those that, for lack of a better term, is the destitute. It is those that can't get it. If they are going through all the proper channels, their

CVSO, up to the VA hospital, up to doing what they are suppose to do, they should be being issued this. This is for that destitute just totally out of the range veterans that are suppose to be getting this fund here. Our Iraqi veterans that are coming back now are young guys, gals going back to work. They don't fit in to this pattern of who is receiving the eyeglasses, hearing aids, and the dentures. That is the three main areas of the granting for this. I think there is a reason to build it up but we are not in a rush on that portion.

Rep. Gary Paur: You were talking about the hearing aids and the dentures and all this. Doesn't the VA provide that? Can't they take them to the VA?

Chairman Bette Grande: That is a really good question and I have tried to get an answer to that type of thing too. That is where I don't quite understand a lot of the big monies for the stand downs too, because they should be taking and, if those CVSOs are there and they are registering like they said in the stand downs, then why aren't we getting them into the system and getting them taken care of. They should be getting taken care of. Yet we still have \$400,000 looking at granting out. The other thing that kind of red flags me is the service centers that are being opened up by National Guard around the state. They are working on doing the same type of thing. We are getting layers of the same types of things on top of each other. I think we have to somehow get everybody to the table on this. It just feels really disjointed to me. The more I am hearing the more I am getting confused.

Rep. Karen Rohr: If you can convince me that the money is really going to these people that are destitute because that's where my heart was yesterday, but I didn't hear that. I think accountability is still a problem here. I see these veterans as patients and I know the frustration that they are going through. They go to Fargo and they come back and their needs aren't met. Yet we have all this money disbursed amongst all these organizations that are there for their benefit but they are not reaping the benefit of that. Before I vote on this I really need to know about the accountability and the dollars and where they are spent. I want it to go to veterans.

Rep. Ron Guggisberg: Whether it is a million, two million, 1.9 million, these just seem like arbitrary numbers we are throwing out there. I would rather see it if it is at 4 million now and there is a 10% increase in veterans, let us increase that 10% so we will end up paying back the veterans 10%. If their needs go up by a certain percentage, let us do that. We are talking about people who don't have enough money to roof their house or buy hearing aids. There is obviously a need out there. We have heard other testimony about suicide rates and homelessness of our vets. I know there is going to be an interim committee, and I hope we can come up with some real solutions so we don't have to fund small loans so people can fix their house or transmission.

Chairman Bette Grande: I think with that statement we should, if nothing else, state somewhere in this bill that we are going to study the whole system through the interim so that we can get a handle on chain of command, accountability, fiduciary responsibilities, and lay this whole thing out so that we don't have this kind of confusion coming in. This is session after session. Those who were here last

session when we had the CVSOs coming in and the educational variances. You have some counties where the office is open two hours a week. They have been to no training and they have no idea where their veterans in their county down to a Cass County where you have numerous CVSOs tracking veterans and it is altogether. They are fully certified at a national level. Chairman Grande talked about some of the working hours and conditions found at the various sites when visited by the commissioner and the report that was done.

Rep. Roscoe Streyle: Why don't we just put this at \$400,000 which would be 4 ½ million and 50,000 or 75,000 on the loan and leave it under ½ million or kill it altogether? I certainly support the veterans, but I agree with Rep. Rohr. I don't know much about this issue but it seems frustrating. It doesn't seem to be run properly. I make the motion. Strike Section 1, \$400,000, Section 2, and \$50,000, Section 3. If you feel higher, I am not opposed to that either. He changed Section 3 to \$100,000.

Chairman Bette Grande: I would also ask the intern to draft up language to study this, to follow up on the accountability.

Vice Chairman Randy Boehning seconded the motion.

Rep. Karen Karls: We are using the words interchangeably, loan, grant. Are these grants or loans?

Chairman Bette Grande: In Section 2 it is a grant. Section 3 it is a loan. Here is how I am understanding the proposed amendment. Section 1, delete. Remove Lines 4-9. In Section 2 of which now will become Line 4 in what is now Line 12 change that to 400,000. Section 3 which is currently Line 19, change it to 100,000. At the end of the bill add in for an interim study to follow up on what we are doing.

Vice Chairman Randy Boehning: Do you want to make that shall study?

Chairman Bette Grande: Go for it. My only concern at this point is what the language for the biennium beginning and those dates. I want to make sure what those are.

Vice Chairman Randy Boehning: Why would we need the dates? This bill would go into effect August 1. We would appropriate 400,000 that would go into the post war trust fund and the other 100,000 would be used for loans. It would all be available on August 1.

Chairman Bette Grande: The reason it is written this way is because this is how fiscal analysts write law. If we start at the beginning on Line 11, not otherwise appropriated meaning that when all things are said and done and the budgets are complete, if the money is not there, they can't proceed. It is just the safeguard that naturally comes in. We need the dates in there because it says the dollar amount we say is only to be discussed during the biennium. They don't get it every biennium. If you were to remove all that language and say that, there would be an assumption of every year every biennium they would get it.

Vice Chairman Randy Boehning: Will our intern have that available for us while we are in session? Maybe he can get it distributed. Maybe we can take a look at it.

Chairman Bette Grande: Unless you feel you need to read them, is there any other objection? If there is an issue, we will come back down.

Rep. Lonny Winrich: I still am uncomfortable with this bill. We are sort of taking a shot in the dark even with these amendments, because we had very bad testimony. The bill was not well presented and misrepresented in some cases. On the other hand, I think there is a real need out there as Rep. Rohr indicated. Contrary to the leader's advice the other day, this is one that I think we do have to depend on appropriations to fix.

Chairman Bette Grande: I guess that is part of the beauty of this process. Even though we passed this out if we can get it rolling along we have the opportunity to keep working this thing. I think part of it is once we amend it and get it over there if we visit with our senate counterparts if they would just change a word we can go to conference committee and keep working on it. We could expand this discussion out all the way until the end part of April.

A voice vote was taken to adopt the amendment. Motion carried.

Rep. Lisa Meier moved a Do Pass as amended and rereferred to appropriations.

Rep. Vicky Steiner seconded the motion.

DO PASS AS AMENDED AND REREFERRED TO APPROPRIATIONS. 13 YEAS, 0 NAYS. Vice Chairman Randy Boehning is the carrier of this bill.

Date: 2-3-11
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1468

House GOVERNMENT AND VETERAN AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Streyle Seconded By Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Bette Grande			Bill Amerman		
Vice Chairman Randy Boehning			Ron Guggisberg		
Glen Froseth			Lonny Winrich		
Karen Karls					
Lisa Meier					
Gary Paur					
Karen Rohr					
Mark Sanford					
Vicky Steiner					
Roscoe Streyle					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Voice vote
to add
50,000
to amendment
motion
carried.*

Date: 2-3-11
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1468

House GOVERNMENT AND VETERAN AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☐ Refer to Appropriations ☐ Reconsider

Motion Made By Boehning Seconded By Rohr

Representatives	Yes	No	Representatives	Yes	No
Chairman Bette Grande			Bill Amerman		
Vice Chairman Randy Boehning			Ron Guggisberg		
Glen Froseth			Lonny Winrich		
Karen Karls					
Lisa Meier					
Gary Paur					
Karen Rohr					
Mark Sanford					
Vicky Steiner					
Roscoe Streyle					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*to remove
Sec 2, Lines 10-16
after much
discussion
Rep. Boehning
withdrew
his amendment*

February 4, 2011

VK
2/4/11

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1468

Page 1, line 1, after "provide" insert "for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for"

Page 1, replace lines 4 through 9 with:

**"SECTION 1. LEGISLATIVE MANAGEMENT STUDY - VETERANS'
POSTWAR TRUST FUND AND VETERANS' AID FUND.**

During the 2011-12 interim, the legislative management shall consider studying the operation of the veterans' postwar trust fund and the veterans' aid fund, including the coordination of each fund with other funds and funding with veterans' support groups, lending guidelines, accountability, and the use of fund money. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Page 1, line 12, replace "\$2,000,000" with "\$400,000"

Page 1, line 19, replace "\$500,000" with "\$100,000"

Renumber accordingly

Date: 2-4-11
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1468

House GOVERNMENT AND VETERAN AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By

Streyle

Seconded By

Boehning

Representatives	Yes	No	Representatives	Yes	No
Chairman Bette Grande			Bill Amerman		
Vice Chairman Randy Boehning			Ron Guggisberg		
Glen Froseth			Lonny Winrich		
Karen Karls					
Lisa Meier					
Gary Paur					
Karen Rohr					
Mark Sanford					
Vicky Steiner					
Roscoe Streyle					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*Vote
to accept
amendment
motion
Carried*

Date: 2-4-11
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1468

House GOVERNMENT AND VETERAN AFFAIRS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment

☒ Rerefer to Appropriations ☐ Reconsider

Motion Made By Meier Seconded By Steiner

Representatives	Yes	No	Representatives	Yes	No
Chairman Bette Grande	✓		Bill Amerman	✓	
Vice Chairman Randy Boehning	✓		Ron Guggisberg	✓	
Glen Froseth	✓		Lonny Winrich	✓	
Karen Karls	✓				
Lisa Meier	✓				
Gary Paur	✓				
Karen Rohr	✓				
Mark Sanford	✓				
Vicky Steiner	✓				
Roscoe Streyle	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Boehning

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1468: Government and Veterans Affairs Committee (Rep. Grande, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1468 was placed on the Sixth order on the calendar.

Page 1, line 1, after "provide" insert "for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for"

Page 1, replace lines 4 through 9 with:

"SECTION 1. LEGISLATIVE MANAGEMENT STUDY - VETERANS' POSTWAR TRUST FUND AND VETERANS' AID FUND.

During the 2011-12 interim, the legislative management shall consider studying the operation of the veterans' postwar trust fund and the veterans' aid fund, including the coordination of each fund with other funds and funding with veterans' support groups, lending guidelines, accountability, and the use of fund money. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-third legislative assembly."

Page 1, line 12, replace "\$2,000,000" with "\$400,000"

Page 1, line 19, replace "\$500,000" with "\$100,000"

Renumber accordingly

2011 HOUSE APPROPRIATIONS

HB 1468

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1468
2/10/11
14371

☐ Conference Committee

Committee Clerk Signature

Meredith Trachott

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for an appropriation to the office of management and budget for transfers to the veterans' postwar trust fund and the veterans' aid fund.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: Opened discussion on HB 1468. The title was read.

Representative Bette Grande, District 41: This bill was brought forth by the coordinating council and the ACOVA. What was trying to be accomplished was trying to figure out how much money needs to be in the postwar trust fund to meet the needs of the veterans. They wanted an appropriation they could spend on their grants for this biennium, and not spend any money out of the trust fund, but it actually doesn't work that way. By the constitution of the postwar trust fund, they must spend the interest out of it. There was discussion if they wanted to change the direction of the trust fund for two years, but those types of things were not really workable. They wanted to build up the main portion of the trust fund, since if there is more money in it there would be more interest in it; there was no clear explanation of how they would utilize the money. The committee decided they would put just a small portion of money in to bring up the fund to \$4.5 million, but I think more analysis needs to be done, and it should be run past the treasurer. I leave that to the committee. We thought we were doing the right thing when we looked at it in policy, but it appears to need a deeper look. I would like to keep this alive and work through it in the Senate. In the loan fund, they currently have 193 loans out. They're doing very well on their collection, but there are so many loans out there's not a lot left to give out more loans, so they were asking for more money there. As the money came in, they would continue down the path. There seems to be a high demand for those loans. The committee is also looking at asking them to put an insurance on so if something happens to one of these veterans after they receive this loan, if they passed away, then the loan is paid off by the insurance. We're looking to see how we can put in language to require it without requiring it, since I'm not sure we can require them to have it.

Chairman Delzer: Is there a bill alive in the Senate that will be coming across dealing with this?

Representative Grande: I'm not aware of what the Senate is doing.

Chairman Delzer: Since you seem hesitant to say the \$400,000 is the final number, would you be amenable to us taking that out, but keeping the language there?

Representative Grande: Out of section 2? The committee would be fine with that.

Representative Bellew: What is the veterans aid fund in section 3?

Representative Grande: That is a separate loan account. I had never heard of it until this session, but from what I understand, it is money that is inside for the VA to be utilizing and setting out loans.

Representative Bellew: Is that a state account? How is it funded? Isn't VA federal?

Representative Grande: This is the ND VA, it is our executive branch office, not the federal one.

Chairman Delzer: I believe this is a revolving loan fund that they have within their agency.

Representative Williams: Section 3, appropriate the sum of \$100,000, have we done that at times in the past?

Chairman Delzer: I do not know, we can have Legislative Council check that out. I am not aware of any time that we've appropriated general fund money to this fund.

Representative Grande: I am not aware of that. Not in my tenure here.

Chairman Delzer: There is also a grant fund; I'm not sure if it resides in the same fund.

Representative Nelson: What types of loans are made from this account?

Representative Grande: They are typically smaller loans. The veteran is in a situation where he is not capable of making a normal type loan, the bank isn't going to be available to him, usually an emergency loan. It's loaned out to them at 8%; when they complete making all payment, they get 4% of their 8% back.

Chairman Delzer: If I remember right, I think it's limited to \$5000.

Representative Nelson: Is it in a nonsecured position?

Chairman Delzer: Yes, as I understand it. It's usually in conjunction with a grant.

Representative Williams: Is there a default rate?

Representative Grande: We were told the default rate is around 1%. I don't know if that includes the write-off on deaths.

Chairman Delzer: Further questions by the committee? We have some information coming around.

Roxanne Woeste, Legislative Council: This is an analysis just completed by our office today. See attachment 1.

Chairman Delzer: This is the veterans' aid fund.

Woeste: Correct. Regarding the veterans' post-war trust fund, there's analysis of that in the book showing all of the trust funds.

Representative Nelson: What is the need for the \$100,000? It seems like a 1% default rate is pretty good.

Representative Grande: Utilization is up, the requests have been much more. The reason I asked for leniency on that percentage is that there was \$20,000 in the last four years written off due to deaths. That will change the percentage.

Chairman Delzer: If you look at this handout, it's pretty interesting information. It looks like they've been doing loans at 286, they would still have a balance of 72 at the end of this biennium. The income loan principle repayments seem to be in the neighborhood of slightly over 200,000. Further questions by the committee? Seeing none, we'll look at this further before taking action on it.

2011 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1468
2/17/11
14652

☐ Conference Committee

Committee Clerk Signature

Meredith Tracholt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for an appropriation to the office of management and budget for transfers to the veterans' postwar trust fund and the veterans' aid fund.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: Opened discussion on HB 1468. Are there any amendments to offer for the bill?

Representative Wieland: If you would take a look at amendment .02001, I would move the amendment.

Representative Bellew: Second.

Chairman Delzer: We have a motion and a second. Discussion.

Representative Wieland: When the bill originally came down to us, it had \$100,000 in there for the postwar trust fund. It actually wasn't into the fund itself, it was into the grant line item. There is some question as to whether we can add dollars into the trust fund at all, and whether in fact we can add money into the grant line. Currently the grant line is using the funds from the interest on the trust fund to provide the grants. There was some thought as to whether you could add to that for one time funding to allow them to spend from the previous biennium as opposed to the current biennium, but since there are some unanswered questions on that, this amendment reduces it to \$50,000 to keep the bill alive and send it over to the Senate side and allow for the time to finish doing the research on what can or cannot be done with this particular fund.

Chairman Delzer: I believe the \$50,000 actually goes to the loan fund. The policy committee took the grand fund money out, and we are removing the \$400,000 to the postwar trust fund as well, with this amendment, if it is adopted. The policy committee asked that the bill have the opportunity to be kept alive, and this has been done with discussion with them. The reason to put the money in the loan, rather than the grant, is the

grant can only spend what is the interest off of the postwar trust fund, as it is written in the constitution.

Representative Wieland: That is correct.

Chairman Delzer: Discussion on the amendment? Motion carries by voice vote. We have the amended bill before us.

Representative Wieland: I move Do Pass as Amended.

Representative Bellew: Second.

Chairman Delzer: Discussion. Seeing no discussion, we'll call the roll for a Do Pass as Amended. Motion carries 16-2-3. Representative Wieland will be the carrier.

11.0686.02001
Title.03000

Prepared by the Legislative Council staff for
Representative Wieland
February 11, 2011

YK
2/17/11

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1468

Page 1, line 3, replace "transfers to the veterans' postwar trust fund and" with "transfer to"

Page 1, remove lines 14 through 20

Page 1, line 23, replace "\$100,000" with "\$50,000"

Renumber accordingly

Date: 2/17
Roll Call Vote #: 1

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1468

House Appropriations Committee

Legislative Council Amendment Number 02001

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Wieland Seconded By Rep. Bellev

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Representative Nelson		
Vice Chairman Kempenich			Representative Wieland		
Representative Pollert					
Representative Skarphol					
Representative Thoreson			Representative Glassheim		
Representative Bellev			Representative Kaldor		
Representative Brandenburg			Representative Kroeber		
Representative Dahl			Representative Metcalf		
Representative Dosch			Representative Williams		
Representative Hawken					
Representative Klein					
Representative Kreidt					
Representative Martinson					
Representative Monson					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

reduces amount to \$50,000

voice vote carries

Date: 2/17
Roll Call Vote #: 2

2011 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1468

House Appropriations Committee

Legislative Council Amendment Number 02001

Action Taken: ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Rep. Wieland Seconded By Rep. Bellew

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer		X	Representative Nelson		
Vice Chairman Kempenich	X		Representative Wieland	X	
Representative Pollert					
Representative Skarphol	X				
Representative Thoreson	X		Representative Glassheim	X	
Representative Bellew	X		Representative Kaldor	X	
Representative Brandenburg	X		Representative Kroeber	X	
Representative Dahl			Representative Metcalf	X	
Representative Dosch		X	Representative Williams	X	
Representative Hawken	X				
Representative Klein	X				
Representative Kreidt	X				
Representative Martinson	X				
Representative Monson	X				

Total (Yes) 16 No 2

Absent 3

Floor Assignment Rep. Wieland

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1468, as engrossed: Appropriations Committee (Rep. Delzer, Chairman)
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends
DO PASS (16 YEAS, 2 NAYS, 3 ABSENT AND NOT VOTING). Engrossed HB 1468
was placed on the Sixth order on the calendar.

Page 1, line 3, replace "transfers to the veterans' postwar trust fund and" with "transfer to"

Page 1, remove lines 14 through 20

Page 1, line 23, replace "\$100,000" with "\$50,000"

Renumber accordingly

2011 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1468

2011 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veteran's Affairs Committee
Missouri River Room, State Capitol

HB 1468
March 18, 2011
15666

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

To provide for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for an appropriation to the office of management and budget to transfer to the veterans' aid fund.

Minutes:

Testimony attached

Lonnie Wangen: Commissioner of Veteran's Affairs. See attached testimony #1

Senator Marcellais: Have you thought about leasing as opposed to buying?

Lonnie Wangen: The way it works is that we purchase the van, donate it to the federal VA they pay for the insurance, fuel, maintenance and then they give them back to us when they are finished

Senator Marcellais: Adaptive housing, id this just for maintenance?

Lonnie Wangen: Say the come home and they need

Senator Marcellais: There is an ADA program that would help them with that in Grand Forks. If this doesn't work out that is an option.

Chairman Dever: I know that the grants come out of the post ware trust fund and then there is a separate account for the loans?

Lonnie Wangen: Yes

Chairman Dever: Does that exist in the treasurer's office.

Senator Nelson: What happens if we can't get it back to the original version what should we do?

Lonnie Wangen: As far as the study goes, I think that we can do without it.

Chairman Dever: Does your agency budget just include operating budget?

Lonnie Wangen: Right now it is just administrative costs.

Chairman Dever: Appeals of Veteran's preference, there is nowhere else that is being done.

Lyly Schuchard: Chairman of Administrative Committee on Veteran's Affairs. See attached testimony #2.

Chairman Dever: Since there is an audit taking place does that address and of the question with the postwar trust fund

Lonnie Wangen: They audit the grant program.

Chairman Dever: How far back does that go?

Lonnie Wangen: Every biennium.

John Jacobsen: Chairman, Legislative Committee of the North Dakota Veterans Coordinating Council. See testimony #3.

Chairman Dever: Coordinating Council has its own set of standards and rules

John Jacobsen: They pool the council and they give me the heads up for support or opposition

Close the public hearing.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veteran's Affairs Committee

Missouri River Room, State Capitol

HB 1468
March 24, 2011
15975

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

To provide for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for an appropriation to the office of management and budget to transfer to the veterans' aid fund.

Minutes:

No testimony attached

Chairman Dever: I think that part of the reason that it is in there is because the questions about the postwar trust fund have been answered, but to no one's satisfaction. We could make a change in the study to consider the delivery of services to veterans and the structure that provides it particularly as it pertains to tribes. Should we redraft the study?

Senator Berry: What is the committee's general consensus on the dollars?

Chairman Dever: Historically the veterans' postwar trust fund is used to provide grants to destitute veterans for things like hearing aids, dentures those types of things. They have generated about \$400,000 from the fund to fund those programs. In the last 2 years the proceeds that they had to fund those programs was about \$200,000. Part of their thought in the bill as it was introduced was 2 years forward, so in 2 years they would know what they made on it and use those funds for the next 2 years.

Senator Schaible: I would leave the \$50,000 in there and the amendment as you see fit because if we put more on it Appropriations would probably take it out anyway.

Senator Cook: I don't disagree with that but I would be willing to fund it for a biennium so that they don't have to draw down on the fund at all. We can fund the expenditure and let the interest grow into the fund for both years; I would be receptive to the \$400,000 in there.

Senator Nelson: That was the post war trust fund not the veteran's aid fund.

Senator Cook: The programs I want to fund are the ones that are funded from the post war trust fund and after that be in a position

Vice Chairman Sorvaag: That is like the trust fund, the aid fund. The \$50,000 is replacing the \$500.

Senator Nelson: Want to put back in old section one and keep our section 2 and delete the study

Senator Cook: I would put in section 1 and stop there; delete our existing section 1 and section 1.

Senator Nelson: What is the difference between the veterans' aid fund and the veterans' postwar trust fund?

Senator Cook: Veterans' aid fund is a loan program where they get half of the interest fund after they pay the amount of the loan back. If we go from \$50,000 to \$400,000 I think that it could be better used to fund the programs of the postwar trust fund.

Chairman Dever: I am not really clear between the differences between sections 1 and 3.

Senator Nelson: If they have loaned out \$250,000 this year and we are only going to give them a total of \$100,000 over a 2 year period.

Chairman Dever: That \$500,000 may be the total amount that is loaned out now, not just for 1 year.

Senator Cook: They are asking for 3 things, provide funding relief for the postwar trust fund for one biennium, add additional funds to the principal balance, and provide additional funding. I am suggesting that we do the first one.

Chairman Dever: We could amend just section 1 and if there is compelling information in the conference committee change it. Substituting section 1 of the original bills for section 1 of the current bill?

Senator Nelson: Yup.

There was no further discussion at this time, the committee suspended conversation on HB 1468 until the intern was able to complete the amendments.

2011 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veteran's Affairs Committee
Missouri River Room, State Capitol

HB 1468
March 25, 2011
16003

☐ Conference Committee

Committee Clerk Signature

Katie Oliver

Explanation or reason for introduction of bill/resolution:

To provide for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for an appropriation to the office of management and budget to transfer to the veterans' aid fund.

Minutes:

No testimony attached

Senator Cook: I still don't think that the intent is clear.

Chairman Dever: Our intent was to leave section 2 there. Remove line 7-12.

Senator Cook: When they use the word additional it isn't clear it says additional spending so it appears to me that they could spend the fund plus the interest.

Chairman Dever: What would happen if after dept of vet affairs we added the language?

Senator Cook: Money that is in the post war trust fund should stay in the post war trust fund.

The committee chose to suspend discussion until the state treasurer could answer their questions.

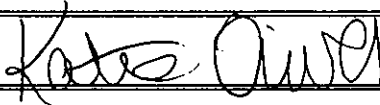
2011 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veteran's Affairs Committee Missouri River Room, State Capitol

HB 1468
March 25, 2011
16003

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

To provide for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund; and to provide for an appropriation to the office of management and budget to transfer to the veterans' aid fund.

Minutes:

No testimony attached.

Chairman Dever: The treasurer made a good point that it might make sense to look at the earnings from this biennium going forward to the next biennium if that is the concept that we are looking at. Those dollars would be more in the neighborhood of \$210,000 for the biennium.

Kelly Schmidt: As you know, income is determined by the uniform principal and income act and that are the dollars that are available to the department of veteran's affairs. Any realized gain goes into the corpus of the fund to allow it to grow so there is a difference between realized gains and interest and dividends. Currently, based on what we know today, this would be a pretty accurate number of \$210,000 is what we would be able to provide out of the postwar trust fund moving forward for the next biennium.

Senator Cook: I think that we need to change line 3 from veteran's aid fund at the very end we need to put in department of veterans affairs.

Senator Cook made a motion to adopt the amendments on HB 1468 with a second by Vice Chairman Sorvaag, there was no further discussion, roll was taken and the amendment was adopted. A motion was then made for a do pass as amended with a re referral to Appropriations by Vice Chairman Sorvaag with a second by Senator Berry, there was no further discussion, roll was taken, the motion passed 7-0 with Chairman Dever carrying the bill to the floor.

Date: 3/25/11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1468

Senate GVA Committee _____

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☐ Do Pass ☐ Do Not Pass ☐ Amended ☒ Adopt Amendment

☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Cook Seconded By Sorvaag

Senators	Yes	No	Senators	Yes	No
Chairman Dever	X		Senator Marcellais	X	
Vice Chairman Sorvaag	X		Senator Nelson	X	
Senator Barry	X				
Senator Cook	X				
Senator Schaible	X				

Total (Yes) 7 No 0

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 3/25/11
Roll Call Vote # 2

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 468

Senate GVA Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment

☒ Rerefer to Appropriations ☐ Reconsider

Motion Made By Swamy Seconded By Benny

Senators	Yes	No	Senators	Yes	No
Chairman Dever	X		Senator Marcellais	y	
Vice Chairman Sorvaag	X		Senator Nelson	y	
Senator Barry	X				
Senator Cook	X				
Senator Schaible	X				

Total (Yes) 7 No 0

Absent _____

Floor Assignment Dever

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1468, as reengrossed: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1468 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "provide for a legislative management study of the veterans' postwar trust"

Page 1, line 2, remove "fund and the veterans' aid trust fund; and to"

Page 1, line 3, after "the" insert "department of veterans' affairs and the"

Page 1, line 5, remove "**LEGISLATIVE MANAGEMENT STUDY - VETERANS' POSTWAR TRUST**"

Page 1, line 6, replace "**FUND AND VETERANS' AID FUND**" with "**APPROPRIATION - TRANSFER - DEPARTMENT OF VETERANS' AFFAIRS**"

Page 1, replace lines 7 through 12 with "There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$210,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the department of veterans' affairs to be used in lieu of income generated from the veterans' postwar trust fund for programs authorized by law to benefit and serve veterans or their dependents, for the biennium beginning July 1, 2011, and ending June 30, 2013. It is the intent of the legislative assembly that any income generated by the veterans' postwar trust fund during the biennium beginning July 1, 2011, and ending June 30, 2013, be held with the corpus of the fund for distribution to the department of veterans' affairs during the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

2011 SENATE APPROPRIATIONS

HB 1468

2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1468
March 14, 2011
Job # 15416

☐ Conference Committee

Committee Clerk Signature

AT *Alice Delzer*

Explanation or reason for introduction of bill/resolution:

To provide for an appropriation to the office of management and budget for transfer to the veterans' aid fund. (DURING THE 1007 SUBCOMMITTEE HEARING)

Minutes:

"No attached testimony."

Senator Kilzer called the subcommittee discussion on HB 1468. Senator Bowman and Senator Robinson were present. Lori Laschkewitsch, OMB and Sheila M. Sandness, Legislative Council were also present.

Lonnie Wangen Commissioner of Veteran's Affairs, HB 1468 in its original form, has changed quite a bit to what it is right now. It has not been heard in the Senate and it is scheduled for this week, on Friday. We originally asked for \$400,000 to fund our grant programs and the interest earnings of the post war trust funds for one biennium. The reason for this is, the post war trust fund as it works now, as interest earnings become available, that is what we use to spend to take care of the veterans. What we would like to see is for it to sit for a biennium and so at the end of the biennium, the interest earnings that have accumulated, that is our budget for the next biennium. So we do not run into the problem we had this last biennium, which was we had an economic downturn and all of a sudden we had about \$70,000 worth of grants applications that we could not approve. We want to have a budget we can work with, that we know we have that money for the year and if we do have an economic downturn, we have that whole biennium to make up for it and to prepare for that for the next biennium.

Senator Kilzer asks, is this part of the \$4.3M?

Lonnie Wangen states, what we wanted were that \$400,000 to actually go to the Dept. of Veteran's Affairs, to fund the programs from the Post War Trust Fund. So the Post War Trust Fund would not be used for the biennium so that it can actually grow and recover from the economic downturn and set us up for spending money, for after its been earned, rather than as it comes out. There is no chance for the fund to really grow good interest if we keep pulling out as soon as we get the interest, so we can better serve the veterans in the future and not just for the ones today. The other part of that was, we wanted to infuse the \$2M in there to ensure that we can handle taking care of our veterans in another economic downturn and to help grow the fund as our needs grow. We haven't increased the benefits and the services to our veterans for quite a while because the money earned from the Post War Trust Fund and programs we have now, we pretty much matched up.

We were spending what was available and we want to be prepared with our new veterans coming back from Iraq and Afghanistan, the PTSD, the TBI and the burn problems. There are a lot of things we have to address and we want to be sure that we can take care of those in the interim, while they seek their help through the VA and looking down the road 10-20 years that this is going to be a viable fund and will be worth something. The last part, we wanted to add some more funds to our veteran's aid loan program. We have a program, where a veteran or eligible dependents, can borrow money at an 8% rate up to \$5000 and when they pay that off, they get half their interest back so it ends up being a 4% loan. It is a pretty good deal. It's taking care of itself. We have written off very few loans because of deaths. With the war going on, we have seen a big influx with the National Guard. When they get called up, the first thing they say is, I have to take care of everything at home. They take out a quick loan to pay for those things that need to be fixed before they leave. Plus, when you get called up, you have to buy all kinds of things to be prepared for a year of deployment. So they borrow that money. We have seen a bigger use of the fund. The last time we testified, we had about enough for about 8 loans left in it. That is why we are asking to increase that amount, so we don't run out of funding.

Senator Robinson asks, would it be possible to graphically show the demands on the Post War Trust Fund program because of the various things you are talking about? How they have increased over the last few years and the need to grow the Post War Trust Fund back to respond to this wave of veteran's coming home with a whole lot of special needs.

Lonnie Wangen states, as we look at the last two biennium's, we have almost doubled the demand for the grant programs. They have gone up that much. With the veteran's returning home with unknown problems and with PTSD and TBI, it has put in a big demand on what we are going to have to have for resources just out of our own office in other areas. They are calling our office for many different things now. We see in the future the demands for the Post War Trust Fund. The interest earnings we are making now will not be enough to meet them in the very near future. We need to infuse some principal in that so that we can make more interest.

Senator Robinson states, one brief moment about FTE's. You have 7?

Lonnie Wangen states, there are 7, including myself.

Senator Robinson asks, you are happy with that number?

Lonnie Wangen states, a few bienniums ago, they added a woman veteran coordinator, which most every state has that now. We added that one. She has been doing a great job of helping the women veterans out. What we are looking for, is one more person to help with training. 70% of their time would be for training and outreach and this is where we come into the problem of getting out in the communities and educating CVSO (County Veterans Service Officers) how to properly do their job and to provide assistance to them. Also to get out into the community and have town hall meetings, to educate the veterans and their families, about the help that is out there. We need to capture the active component when they come home. The Guard does a great job of taking care of their people when they come home. The active component we get, is a letter or we get a DD214, that they came back to our state and that may be a week ago or a year ago. We

send a letter to them and contact the county veteran's service officer to meet with them but they have been home quite a while. We need to be able to get out there and educate the communities and the families so when their veteran comes home, they know what to expect and be prepared for and to know where the help is. There is a lot of help in ND but not everyone understands where it is at.

Senator Kilzer states, I finished my second tour of duty on Aug. 15, 1961 and I never had any contact with anyone. I still have my DD214. Will I be contacted on my 50th anniversary?

Lonnie Wangen states, Senator, I can get you a letter out of you would like. Welcome back.

V. Chair Bowman asks, you wanted one more FTE, was that in the budget?

Lonnie Wangen states, that was in our optional package. We asked for the FTE for those reasons, to get that outreach with the PTSD and the suicide rates and to address the training of the county service officers and that one was not approved in the House. There was no amendment made in the House. There was going to be but it was missed.

Senator Kilzer asks, in the last couple of years with the new change in training and doing it locally rather than sending people away. Would there be a time in the near future, when all the service officers, would have received their training and I know they need updates and there is turnover but would you need this person permanently for 10 years or more?

Lonnie Wangen states, this is a permanent job to constantly go out and help the veteran service officers and train them. There is turnover there also. So when a service officer retires or leaves his job and we must hire someone new, that is where our office has to be available to go out train when possible, so they can start helping their veterans. We have our training in the spring and fall and sometimes it would be pretty inconvenient for them to wait that long to wait for that training. The NASCO training is offered at least once a year, normally in the spring, so if they were hired after that, they would have to wait a whole year to get that accredited training. It is very important that we have someone to coordinate the training overall and be able to get out to that office and sit with that veteran's service officer to get him on the right path.

Senator Robinson asks, how many VVSO's across the state are part time and have other responsibilities in addition to their responsibilities working with our veterans?

Lonnie Wangen states, I could not give you an exact number on that but there is a report I can give to you and I would say that is significant. There is probably half of them that do wear more than one hat and maybe 3-4 hats. Also, we had a rent issue that we would like to ask for a bit more money for our rent for our Bismarck office.

Senator Kilzer states, we now will be seeing Kristin and Mark.

Senator Robinson states, he would like to make a couple of comments. Regarding this issue of the gift from diseased veteran, I happen to work at a foundation at a small college in Valley City. I reviewed the language in the statute and legally we can certainly direct

these dollars, wherever we want. The gift was given to the veteran's home with no direct stipulations. I can assure you, that we would be making a mistake, if we do so. We, at our university, receive from time to time, gifts that are directed strictly to the VCSU foundation. The implication, I know it is not written out in the estate, is the implication and expectation from the donor, is that these dollars are to be used to enhance the overall service and programming at the veteran's home, to do something unique and to do something we have not been able to afford. If we would go down this road and appropriate these dollars, I would almost guarantee that serving any living veteran or friend that had intentions of including a gift in their estate or an outright gift, would think more than twice. We get these gifts and unfortunately people in their haste, will put together a will document and in our case, VCSU. We interpret that to support our scholarship programs and those types of things. In this case, there is no question about the need for these projects. To finish out, what is going to be a beautiful veteran's home, for the state of ND. The temptation would be the wrong one, in my opinion, for all of those reasons. I never knew this individual and I don't know if anyone in the room did. I have no way of proving it but I can tell you, that is the intention of a donor in these types of cases, to enhance that veteran's home. We can argue that a sprinkler system or road or whatever, is enhancement. That donor and I think most donors, would say that those are basic operational expenses. I know the House committee had other thoughts but I, like the Public Service Commissioner, received hundreds of emails saying it was "our home for our veterans". It would be a mistake if we go down this road, in my opinion.

V. Chair Bowman asks, if he willed mineral acres, and the mineral acres were in the Bakken and you happen be fortunate to hit one those wells, are we going to say, we can never use a penny of that for anything that may be necessary at the Veterans Home other than policy issues? That would be an honor if the house we need at the Veterans Home, would have a plaque there honoring the veterans donation. Would that be bad for all the veterans to see that every day when they walk by?

Senator Robinson states, the precedent we would be setting here is one of great concern. We could have a gift to our institution or wherever and as we go down that road, you may be surprised of the number of gifts are not specific. The systems are getting much better to work with donors. To spell out the importance of being specific and if you intend to direct these dollars to be used for maintenance, lawns, roads, houses etc., then let's say that in the estate document. If you don't stipulate that, you're expecting, and implied expectation, that you are going to do something very special for the Home and the residents thereof. I know it is a touchy issue but we would have a precedent and the university system would become very concerned. We don't get the number of gifts like the big universities but we have our fair share. When we can, we try to go back to the family, to heirs, to do everything possible to honor the wishes of the donor. If you move away from that, you are going to quickly lose credibility and impact the number of future gifts. That is what will happen and I can guarantee that. The number of phone calls, represents the natural concern and reaction, that would support the comments that I am making.

Mark Johnson, Administrator, Veteran's Home. When we went through the House, there were different provisions that they had made. The governor's budget had one time funding for landscaping at \$25,000, funded \$55,000 for irrigation system, funded the oxbow for \$46.5 and those were all pieces that we had in our budget, when we submitted it. The

other piece that they had put in the budget was removal of the administrator's home. What had happened is that they had used the donated dollars to fund those 3 pieces and that total came to \$126,500 with the additional \$30,000 to do the demolition on the house was a total of \$156,500. Currently, these are all projects that are needed to be done. The irrigation system, we will be planting grass, we were able to get grass last fall. We will begin to plant that this spring. If we do not get irrigation, we may burn up the new grass. The oxbow, when I introduced that during the hearing, the oxbow is simply an irrigation channel that catches all the overland floodwater from on top of the hill. Since they redid the grounds and hauled in all the dirt and we have re-landscaped and made ditches around the new veteran's home, we are probably dealing with overland flooding of 200 acres. These are things we have to look at. After two rains, last year, the oxbow had filled up about 6 feet. Right now the way the drainage is and because of all the dirt and things and no grass and lots of sediment and that sediment has built up, it now flows the wrong way. That is why we need to go in and landscape that whole area. So this is what we are really looking at with that piece.

Senator Kilzer asks, do you dredge the whole thing and remove the dirt or can you remove it all but relocate to get the correct drainage?

Mark Johnson states, they are trying to feather out the sides and look at starting and hoping to come in with a caterpillar and get the one side down about 5 feet and bring it back around to the other side, so we have adequate drainage. That is what the oxbow is all about.

Senator Kilzer asks, that is the \$46,500? The answer is correct.

Mark Johnson states, we have the irrigation system and part of the request is, we have left over FEMA dollars of about \$29,000, and we have matching dollars we have to match, to fix our existing irrigation system. We needed to come up with dollars to do some matching to get their \$29,000, otherwise, we will not be able to get those dollars.

Senator Kilzer asks, is that one to one?

Mark Johnson states, when we had the flood in 2009, we had a lot of damage done. That was on the backside. We are going to have use some dollars to do some matching in order to get their dollars.

Senator Kilzer states, I think those FEMA funds are 75/25 or 90/10.

Mark Johnson states, part of the issues we are running into is, when we had the 2009 flood, we had so much damage because the bobcats came in and pushed dirt and totally ripped up our existing sprinkler system. As Kristen alluded to, part of it is, that our system that we currently have, is obsolete. FEMA was willing to fund some of the things that they could see that had equitable value but they were not willing to fund some of the other pieces. That is what we need to do. We have dug in a line to relocate our pump house. The pump house is currently on the river and we have redone the location. So now it is on this side of the ditch or on the bank so we shouldn't have flooding to deal with after we get through this next flood.

Senator Kilzer states, so your irrigation system is \$55,000 and FEMA will pay for \$29,000. There would be \$26,000 you need to come up with?

Mark Johnson states, the \$55,000 is in addition to. We need to do the \$29,000 but we also need to do the \$55,000, to get the entire campus done. The new building has no irrigation at all. \$84,000 total. That is to get the old system running and also get the new building with irrigation.

Senator Kilzer states, it is not \$55,000 its really \$84,000? Kristen, is the \$126.5 still valid for the three projects? The landscaping, irrigation and oxbow?

Kristen Lunneborg, C.F.O., Veterans Home, states, it was actually put in by the House and we didn't request that. The House put it in there and funded it with oil and lease money.

Senator Kilzer asks, are FEMA funds only available for the irrigation, not available for landscaping and oxbow?

Mark Johnson states, it is only for the irrigation system. The oxbow is a whole different project. They did not fund anything for landscaping. Our guys have basically handled all the landscaping to this date. One of the things we had talked about concerning the house, we had asked and one of the recommendations that came out of the House, was to do a study on the existing home. Then when they would have that study, they would come in and demolish a part of it or all of it. One of the things we talked about was not to put the administrator's demolition to be funded at this time, wait until you get your idea about what you are going to do for the demolition from the two buildings. Then look at doing the demolition for the whole campus. When we looked at that earlier, the dollars that we got for the demo and the house, was a whole lot less than what they have put in for the budget right now.

Senator Kilzer states, you don't want them to demolish you home then?

Mark Johnson states, not at this time, no.

Senator Kilzer asks, what are your ideas on buying that other home and moving it onto the grounds?

Mark Johnson states, when we presented to the House and when we presented to you, we had a FEMA house. It is a split level home. It is a very nice home. We don't know exactly how many dollars would be involved with that investment to get that home. I guess we haven't put a lot of study in to that house at this time. We contacted a house mover and he thought he could move the house for \$26,000. It would be the cost of purchasing the house and I don't know what FEMA homes go for? I know that the board was looking at having the administrator still live on the campus and that was simply because it is a recruitment tool. Housing is not a real easy thing in Lisbon. You have low end homes and you have high end homes. They wanted to have that as a recruitment tool and say this is what we can offer you for your package.

Senator Robinson asks, what type of window of opportunity do we have? They are going to want to move on those buy outs quickly. I haven't been in the home but I have been by the home and it looks like a very nice home and would be a fine addition to the campus. It's got to be one of the nicer homes in Lisbon and it's probably 25 years old?

Mark Johnson states, I believe the house is right around 11-15 years old. The window is getting very narrow because I heard on the news today that Lisbon was going to be meeting today, in regards to the buy outs from FEMA, as well as the city. I think the city is purchasing eight homes and they are looking at FEMA to purchase 22 homes.

Senator Kilzer asks, is it a 3 or 4 level split? I have seen pictures of it and it does look very nice.

Mark Johnson states, I think it is 3 levels. Downstairs, middle floor and upper floor with bedrooms and a big deck all back.

Senator Kilzer asks, do you like split levels? People in the real world don't like split levels. People, who have to be on crutches even for a brief period of time, have difficulty. Some people would not like to live in a split level.

Mark Johnson states, for myself, I am only going to live there 5-10 years, if that, and then it is someone else's. I know initially when the board talked about doing something at the home; they talked about building something different. They also talked of doing some remodeling to the existing home because our heat source is going to be lost. With the new home, we are looking at some ways of how we can get some kind of heat into the house. They were looking at various options. I think what was unique is that we heard about this house through the buys outs. That is why the board looked at it. They thought that, if anything, they could potentially do some remodeling down the road to really make it adequately fit the needs for another administrator.

Senator Kilzer asks, does the board have any thoughts on funding?

Mark Johnson states, they were hoping to do was fund part of this through the mineral trust funds. They were looking at it from the standpoint, would this be a benefit to the Veteran's Home and they felt this would be a benefit from the standpoint, that they would be able to have the capabilities, of recruiting an administrator.

Senator Kilzer asks, do you have a gut feeling on the executive budget of housing allowance of \$20,000?

Mark Johnson states, I do feel they underfunded that. When I was hired and our agreement was they were going to provide housing and pay for my heat, electricity and water and funding it with what the market is right now. I do feel it is underfunded. I don't know what that number would be. If it comes back to me as a taxable piece then I am going to have to pay taxes on that as well. I am going to lose a few thousand dollars just having to pay the taxes on that additional income.

Senator Kilzer states, that would be considered the upper end of your income too. It would be in the higher brackets in addition to your payroll withholding etc. Is there anything you would like to talk about, the residence? If they would get the tri-level, that would be tricky on the basement building and things too. Do the grounds accommodate digging down very deep for a basement?

Mark Johnson states, the house that I live in right now, on the backside, is kind of 4 stories. It is dug into the ground 8 ft. We have never had water issues with the home. We have had some issues with the building. Even with the building, after they started providing adequate drainage, we did not see the water tables as high as they were when we had a number of problems with the rains etc.

Senator Kilzer asks, they have gone 100 years without sump pumps?

Mark Johnson states, I have been there 5 years and I am not going to say we have never had any water problems. I think in 1990's, when it flooded, I don't think the administrators home got any water, but I know we had water that came up in the elevator shafts in the building. It also came through our subbasement.

Senator Robinson states, that Mark needs to work with his board and I think it is important to get a handle on that house and price and that type of thing, ASAP, or that option will soon be off the table. Then you are limited to what is left. Your board should look at this aggressively.

Mark Johnson states, the difficulty with the home is that, if we don't have an allocation, I don't whether we can even put a bid in on the home. That is kind of the difficulty we are running into. I don't know if we have a window of 60 days. Things were going to happen today, so I will check into it and find out.

V. Chair Bowman states, before you put a bid on it, you have time to go inside and look at it. I understand you have only looked at the outside. Sometimes you could have mold and some other things that you haven't seen. In the testimony, no one has been inside of it. I hope someone would take the time to go in before a bid is put in on it, so you know exactly what you are getting. The cost could escalate considerably, if there was something major inside it, that you didn't see from the outside.

Mark Johnson states, that is what the boards intention was. What has to happen first is, the homeowners have to sign the papers and to work with FEMA and accept the buyout. I think there is 30 days that have to pass, once that happens, from there the house is open for people to go in and walk through homes and come up with a plan.

V. Chair Bowman asks, if there some way, we can put an emergency clause on for that house, if that was available so they can get the money? You have to do something like that if they can't bid on the house and it is heck of a buy and it's kind of foolish for us not to do that. They are going to do it anyway; the other house is 100 years old.

Senator Robinson states, the city of Lisbon has a company in town that builds homes and they do a great job and send them all over the country. Many of them have found their way

to oil company in Williston. Their workmanship and prices are very competitive. I would guess a home that we are looking at would be \$250,000. I think I am in the ballpark. I think it may be a pretty good investment, depending on, if the inside is in decent condition. We have no way of knowing until we get inside. So it would certainly worth more exploration and research. We possibly could be saving a lot of money.

Mark Johnson states, it is my understanding and I did talk with one of the realtors in town. She put a bid on the house. The house has sat empty for about 3 years. My understanding is that they put a bid on the house for \$229,000. The gentleman that owns the house did not take the bid on the home. The house was estimated at \$260,000.

Senator Robinson states, that doesn't include any FEMA participation. There is a whole lot things that have changed in 3 years and the fact that he has not sold it in 3 years, would change things as well.

Senator Kilzer states, we could move pretty fast if we needed to here. I would be interested in hearing about today's proceedings. We would have to get concurrence of the House or conference committee and those can go pretty fast. As the original legislation, two sessions ago, when the federal money became available for their Veteran's Home happened. Are you going home tonight?

Mark Johnson states, we were thinking of going home or spending the night. We were just going to see where and what the committee had decided.

V. Chair Bowman states, if you are going home it would be nice if you could get contacted with somebody to check that house out because we have to make a decision fairly quick. If the house is solid and we know about how much it is going to cost to move it, you don't want to bid on it for the price of a brand new one. If you can buy it right and we can set up a fund to do that, it seems to me like it would take care of both problems.

Senator Robinson states, we could gather information and share this with the greater committee.

Senator Kilzer asks, who does inspections in Lisbon for homes and buildings and things? Does Duane do those?

Mark Johnson states, the thing we have tried to do is to get our project manager in, Russ Handegard. Russ was in the building trade. So Russ has been trying to get into the home. The whole issue we are running into is, I don't know if the owner has accepted what the FEMA buy out amount is at this time. Once he makes that acceptance, I think there is a 30 day period. Once that happens, then I think the public can go in and view the house and I think the house sells in about 60 days.

Senator Kilzer states, it would be nice to know the situation.

Mark Johnson states, I can check on that.

Senator Kilzer states, it won't be tomorrow. We do have a long day here and there are other subcommittees meeting that we all are on. Hopefully, by the end of the week, we could meet again.

Mark Johnson asks, the hearing you would be looking at possibly on Thursday, do you want to specifically look at the house piece or are there more things you would like to talk about with the budget?

Senator Kilzer asks, does Kristen have any particular topics? The alternatives referencing this estate gift, which other projects would be worthy of a gift like that rather than throwing it in the general appropriation.

Mark Johnson states, one of the things we have also talked about is utilizing some of the dollars for, we don't have any construction bids, is moving the gazebo over to the new building. We have some organizations that have funded the moving of that building. I think the moving of that building is going to cost around \$12,000 but we still are going to need to do footings and foundation and also we wanted to put a heating system/air conditioning in there. Our current system that is in there is 15-16 years old. So we just thought it would be time to upgrade that building. The other piece we talked about is building a resident workshop. That is one of the things we did not bring over to the new building. We just didn't know what was going to happen with the existing building and we kind of wanted to see how everything was going to play out and what some of those costs were. I don't know all the protocol, whether you can come to the emergency commission and get some of the dollars to do some projects in between but our goal right now is to get everyone moved over to the building. We are looking at moving our residents over probably around the second week of May. We will be moving 42 residents over and then we will be doing the DA survey. After that we will be moving the rest of them over. Then we were going to be looking at how we were going to be preparing the grounds and hopefully maybe next year or possibly this year to try and get the gazebo over there. We don't have the funding to move the gazebo at this time. We do have organizations that have worked diligently to put a number of dollars together. To fully fund it and put it in there, we are probably looking at \$50,000-\$60,000. What has been raised is somewhere around \$20,000 at this time. It would be nice to have that piece complete. The other piece would be to have a nice resident workshop and what we were looking at how we can tie some of that together with the gazebo.

Senator Robinson states, I have been in the gazebo. It is the most popular square footage in the existing facility right now. They like it and use it a lot.

Senator Kilzer states, if we are going to change what the House has done, we will have to do it in this bill. It will be different amendments than what the House has. I don't think coming before the emergency commission, with a non emergency request, would be taken very kindly by the budget section. That is my experience from being on that section for awhile. They don't like to deal with things that should have been dealt with when the whole legislative assembly was in session. If we are going to change what the House has done, we will have to do it in this bill.

Mark Johnson states, that is some of the things that we were looking at, as an area where we proudly display a plaque of our donor, and that he was able to accomplish the workshop

and he was able to bring the gazebo and able to move that gazebo over. We want to proudly display that this is a piece, that through his donation, he was able to complete this project and also build a wonderful workshop with state of the art tools. Our residents right now, in our workshop, they are down there every day.

Senator Kilzer states, we may see you on Thursday subject to call.

Senator Kilzer closed the discussion on HB 1468.

THIS HEARING WAS HELD DURING THE SUBCOMMITTEE MEETING FOR HB 1007.

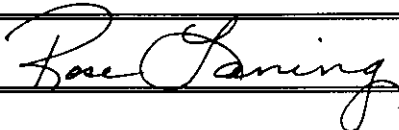
2011 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1468
April 1, 2011
Job # 16265

☐ Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A bill to provide for a legislative management study of the veterans' postwar trust fund and the veterans' aid trust fund.

Minutes:

See attached testimony # 1.

Chairman Holmberg called the committee hearing to order on HB 1468.
Sheila M. Sandness - Legislative Council; **Lori Laschkewitsch** - OMB.

Senator Dick Dever, District 32, Chairman of Government and Veteran's Affairs Committee

Bill Sponsor

This bill, as it was introduced, provided for a \$400,000 appropriation from the general fund to provide services to veterans that are otherwise provided through the revenues generated from the veterans postwar trust fund. The Veteran's Postwar Trust fund has \$4.1M in it. It has typically in the past generated about \$400,000 per biennium to provide those services. In the last two years, because of everything else that's happened with the marketplace, that has been substantially reduced so we looked at putting that back. What they would like to do, because of that uncertainty, is that they would like to fund the next biennium's services to veterans out of the general fund and then after that, use the proceeds from the previous biennium. We looked at restoring that, but the current biennium is generating \$210,000 so that's the number we put in the bill.

If we passed this bill, there would be a general fund appropriation for the next two years of \$210,000. In the next biennium, they would use whatever is generated in the coming biennium. I hope that's not too confusing. The bill, as it was introduced, also provided \$2M to increase the principal in that fund. The House took that out and we didn't think there was any point in trying to put that back in.

There are various needs – vans used to transport veterans need to be replaced, etc.

Senator Kilzer: What has been the history of stand-alone bills like this with the post war trust fund not having enough proceeds?

Senator Dever: I'm not sure they've had a circumstance as they have in the last two years where the market took the kind of hit like it did. My understanding is that they've generally had about \$400,000 and they have used the current biennium's proceeds in the current biennium so I don't think do this particular approach before. They're trying to look prospectively instead of

Senator Kilzer: If there is prospective planning, that it would take into account the possibilities of a bad year, or two years, or two bad biennia. I guess the alternative would be to be able to access the fund itself or borrow from the fund rather than coming and asking for a one-time general fund appropriation.

Senator Dever: The fund exists in the constitution and I think they are prevented from using the principal. And whatever proceeds come from it are required to be used for services to veterans. My understanding is that they cannot use the principal.

Senator Krebsbach: Could you refresh my memory as to how this fund was created or started? Because this was prior to my time on the GVA committee.

Senator Dever: I could be wrong, but my recollection is that it goes back to when there were bonuses provided during the Viet Nam war and there was money left over. I could be wrong.

Senator Krebsbach: I'd like to get the history on that if I could.

Sheila M. Sandness, Legislative Council: The Veteran's post war trust fund analysis is included in your trust analysis that you have (Analysis of State Trust Funds – see attached #1). There were initiated measures that established the veterans' postwar trust fund as a permanent fund and then it talks about the deposits that were put into that fund.

It goes back to a transfer from veterans' bonus funds to the veterans' postwar trust fund and then a subsequent initiated measure made it a permanent fund. It says here that "all unobligated moneys in the Viet Nam veterans' adjusted compensation funds in the state treasury after July 1, 1981, shall be transferred by the state treasurer to the veterans' postwar trust fund." There was the initiated measure that made it permanent and provided that the treasurer transfer \$740,000 per year for five years starting in 1989. There were years that the transfer wasn't complete and so the next transfer would make up for the difference, but over the course of time, the transfers were made. There's a history of the various bills that transferred funding into the trust fund. In 1996, a constitutional measure approved by voters, created a section to the constitution for the postwar trust fund.

Senator Christmann: On line 12, what is "beheld for the corpus of the fund for distribution"? I don't ever remember seeing that term in the budget anywhere else in law.

Chairman Holmberg: It's the fund itself. It's the body of the money.

Senator Christmann: Like the principal?

Chairman Holmberg: Yes, it's the principal. It's a Latin term.

Sheila M. Sandness: Currently the principal balance of the fund has been identified as \$4.1M. That is the amount that must remain in the fund and they can only use the income of that fund.

With the downturn in the market, the balance in that fund dipped down below that amount and it's come back, but I think that is the issue.

Senator Dever: In regards to **Senator Christmann's** question of the corpus, as it reads there it says "and ending June 30, 2013 beheld with the corpus of the fund" so I think what it's referencing is that the revenues generated in the coming biennium would be held with the principal and those revenues used in the subsequent biennium.

Carlee McLeod, Deputy State Treasurer – I was just going to listen, but I think there's some confusion about the fund that maybe I can help clarify. Our office does do the investments for this fund. The corpus is the principal. Originally, it was about \$4.1M. Right now the value of the fund is \$4.255M. It does fluctuate as income comes in. The problem with the misunderstandings over history, and I think what leads up to this bill, the people have looked at what was the corpus when it was created and anything above they thought was spendable. However, this fund is guided by the uniform principal in income act that we have in code here in ND. That spells out what is income and what goes back to principal and the only thing that can be spent from this fund is income. Therefore, if the corpus, or the value of the fund drops down to \$3M, there's still an opportunity for income. If it goes up to \$7M, there's still income, but they don't get that additional \$3M above the original corpus. This fund does produce income even with the downturn in the economy when the value of the fund dropped. It continued to produce income. What led to them requesting additional income through this biennium is that we did some analysis of the law behind the fund and we discovered they were spending principal. Our office set a policy of what we understood income would be that we forecasted slightly for this biennium and they felt the crunch between what they were previously spending without having to calculate income and what income was actually calculated to be. This bill was introduced to help them feel more comfortable with that. Our office will continue to invest the fund for both income and growth as we can to serve the veterans. That's the history and we have no stance on this. I'll answer any questions.

Senator Wanzek: What is the corpus invested in? What kind of investments?

Carlee McLeod: We have the corpus invested in a variety of securities. We have about \$3.1M invested at Edward Jones, I believe in 12 different accounts. Each of those accounts are made up of hundreds of different sorts of stock. We also have just under \$1M in CDs and then we have some cash ready available in some bank accounts because we make a quarterly transfer of cash over to the department.

Senator Christmann: Is this a transitional thing to switch from what had been done and using some principal for a couple years to get used to the new more clear system or is there needs at a level beyond what this can produce and that we should just look at this as the beginning of an on-going that is going to be a couple hundred thousand dollars every biennium?

Carlee McLeod: I believe this is a transitional issue. The view from our office is that we will provide the same amount of income no matter what, so if you decide to give them income through this bill and it makes them feel more comfortable that then there is income being held so that they trust the number that we tell them will be available more. The number that was put in this bill would probably be the amount of income we would generate over the next two

years anyway. I don't see this as an ongoing issue that they will come to you asking for more money biennium by biennium.

Senator Warner: I was intrigued that you're using Edward Jones which is a private fund rather than the state investment board for your investment decisions. Have you done any kind of cost analysis in the difference between using a private investment consultant and using the state board of investment as to the effect it would have on the fund? I know you can't predict on the return side, but on the fees side of the equation.

Carlee McLeod: Our fees with Edward Jones are actually quite low and the number escapes me right now, but it's less than 1%. I think we're around 80 basis points. I believe the fees that are charged for the variety of investments with SIB vary. I don't believe we have the option under the constitution and the law to put this in with the SIB money – that it's the investments of the treasurer. SIB is tasked with investing different monies, but I may have to go and do my research. As far as comparing the fees to decide how we move forward with the investments, I have not been involved with that. I do know that the fees that we are charged by Edward Jones are analyzed quite frequently and have been decided that they are OK.

Senator Robinson: The product of you've paid fees early on to get to a certain level, once you have the volume the additional costs are relatively low, but there had to be upfront fees for the first million or two. Once you reach a certain volume level, the fees are reduced on subsequent investments, but up front, they probably were significant. There is a break even – you get a reduced fee because of your business volume.

Senator Wardner: As the corpus increases, there's going to be more earnings that they can use. If they don't use them all, does it go into that corpus and expand that or would they be able to use them if they needed them in a future biennium for example.

Carlee McLeod: The constitution states that all income shall be paid out to ACOVA for the use of benefits for veterans. The timing of that obviously can be moved around, so if they determine they don't need all of their ready income at the time and they want us to hold off on giving it to them and keep it invested in earning more income, we're happy to do that. In fact, we'll be working with them more closely on doing that in the next couple of years. Right now they request quarterly money, and they don't spend it right away. Every day we could be earning more income so we've been working with them on that. The quick answer to your question is sure, they don't have to use it right away, they can use it whenever.

Senator Wardner: So they could have it in a separate little account. It can't be with the corpus, it could be separate from corpus?

Carlee McLeod: There is no authority to create a separate account within the veterans postwar trust fund. Income can be broken out and we keep an accounting of it so we always know what they are entitled to with that income, but it will always be part of the overall investment until it's liquidated to give to them.

Senator Wardner: You keep it on paper and the money is all together.

Chairman Holmberg asked if anyone else was going to testify on HB 1468.

Senate Appropriations Committee

HB 1468

April 1, 2011

Page 5

**Senator Grindberg moved Do Pass on HB 1468.
Senator Christmann seconded.**

A Roll Call vote was taken. Yea: 13 Nay: 0 Absent: 0

Senator Dever will carry the bill.

Date: 4-12/11
Roll Call Vote # 1

2011 SENATE STANDING COMMITTEE ROLL CALL VOTES

BILL/RESOLUTION NO. 1468

Senate APPROPRIATIONS Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: ☒ Do Pass ☐ Do Not Pass ☐ Amended ☐ Adopt Amendment
☐ Rerefer to Appropriations ☐ Reconsider

Motion Made By Grindberg Seconded By Christmann

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	<input checked="" type="checkbox"/>		Senator Warner	<input checked="" type="checkbox"/>	
Senator Bowman	<input checked="" type="checkbox"/>		Senator O'Connell	<input checked="" type="checkbox"/>	
Senator Grindberg	<input checked="" type="checkbox"/>		Senator Robinson	<input checked="" type="checkbox"/>	
Senator Christmann	<input checked="" type="checkbox"/>				
Senator Wardner	<input checked="" type="checkbox"/>				
Senator Kilzer	<input checked="" type="checkbox"/>				
Senator Fischer	<input checked="" type="checkbox"/>				
Senator Krebsbach	<input checked="" type="checkbox"/>				
Senator Erbele	<input checked="" type="checkbox"/>				
Senator Wanzek	<input checked="" type="checkbox"/>				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Dever

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1468, as reengrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1468, as amended, was placed on the Fourteenth order on the calendar.

2011 HOUSE GOVERNMENT AND VETERANS AFFAIRS

CONFERENCE COMMITTEE

HB 1468

2011 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee
Fort Union Room, State Capitol

HB 1468
April 12, 2011
16522

☒ Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Provide an appropriation to the OMB for transfers to the veterans' postwar trust fund and veterans' aid fund

Minutes:

Chairman Alon Wieland opened the conference committee meeting on HB 1468. All members were present.

Sheila Sandness, Fiscal Analyst, Legislative Council, was asked to explain Section 1. One change that probably should be made is in Section 1 where the \$210,000 is appropriated as a transfer. That is a transfer to the department of veterans' affairs, but it doesn't give them the authority to spend the money. What you may want to look at doing, if you decide that this section will stay, is to remove on Line 6 which the and on Line 7, the office of management and budget shall transfer. You have appropriated \$210,000 to the department of veterans' affairs to be used in lieu of.

Chairman Alon Wieland: Say again, on Line 6.

Sheila Sandness: You would remove which the at the end of the line and on Line 7, you would remove the words office of management and budget shall transfer. The section would read: There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$210,000, or so much of the sum as may be necessary, to the department of veterans' affairs to be used in lieu of income generated from the veterans' postwar trust fund. That gives them the authority to spend it.

Chairman Alon Wieland: That was one of the questions that we had as they put in the sum of \$210,000 which was a change from the original bill. What was the intent of that \$210,000? That would explain that the \$210,000 would be appropriated to be spent. It would not be to add into the postwar trust fund.

Sheila Sandness: That would be up to the senate. We assume that it was their intent, the department of veterans' affairs to spend the money on those types of benefits. I guess that is for the committee to decide what the intent is there.

Chairman Alon Wieland: One question I had was how the sum of \$210,000, which is kind of an unusual dollar amount, was decided upon? Secondly, what was the intent of the senate as to how it was to be spent?

Senator Dick Dever: The original bill had \$400,000. The history of the fund is that it has generated somewhere in the neighborhood of \$400,000 a biennium in revenue to be used for those programs. The request was that we proactively provide the funding for one biennium and they would know how much in one biennium is generated that can be used for the next biennium. \$210,000 happens to be the amount of revenue that the fund is generating in this biennium. Following that philosophy then, it would be the correct amount to use for the coming biennium and then the biennium after that, they would use whatever funds are generated. The language on Line 8, in lieu of income generated from the veterans' postwar trust fund, would make it clear that it is not additional money to those revenues but in place of for the coming biennium.

Chairman Alon Wieland: So that I fully understand, it is the intent then of the \$210,000 which is the amount that would have been anticipated to be and generated during the next biennium or during the last biennium.

Senator Dick Dever: If the expectation is that the next biennium will generate the same revenue as this biennium, then that is the amount.

Chairman Alon Wieland: That would be the amount that would be appropriated for the postwar trust fund to be spent on the grants. The amount that is actually earned during the next biennium would be the amount that would be available for the following biennium.

Senator Dick Dever: That is correct. I should make it clear, though, that money is not just used for the grants. They also use the money to buy vans with and if we were able to deal with that separately, that would be a good thing.

Rep. Bette Grande: I want to put this clear in my head. We are going to take the \$210,000 and that is what they are suppose to spend for their grants or whatever uses that they were seen fit for this next biennium. What happens to the earned interest that they normally would spend? Are they going to roll that back? I think constitutionally they are suppose to spend it. Are they going to spend double and then wonder what happened in two years? How do they perceive this to work?

Senator Dick Dever: It is the intent of the senate that they not spend the interest generated in the next two years but set that aside for the subsequent biennium. It seems to me the constitutional provision says it needs to be spent for veterans' services. It doesn't say that it has to be spent now, but it has to be spent for veterans' services.

Rep. Bette Grande: Would you define to me what you mean by set aside? Making a separate account that is now their extra—this is my earnings and I am going to put it in a little pot or are they leaving it in the postwar trust fund? What if the market switches? Are we setting this fund up into the same problem we had a few years back where when the market switched? They thought they had some money and all of a sudden the money wasn't there because the market had switched. I want to be really clear what the intent is

for this money so that they don't think they have something they didn't have when something changes in the market.

Senator Dick Dever: I wouldn't see it as being in a separate account. I would see it as being invested with the fund but that it would not become a part of the corpus of the fund, the principal of the fund. It wouldn't become a part of the fund.

Chairman Alon Wieland: It wouldn't change, what is it, 4.9?

Rep. Bette Grande: How much money is in the fund?

Kelly Schmidt, State Treasurer, responded that it was about 4.9.

Chairman Alon Wieland: I like the idea of doing that. That was kind of the intent of what we had in mind, just not knowing how to word that. It is the intent of the legislative assembly that any income generated by the veterans' postwar trust fund during the biennium beginning July 1, 2011, and ending June 30, 2013, be held with the principal of the fund for distribution to the department during that biennium. If we could word that somehow so that it could be continued on at least until someone changes that. It is continually that way so they do know exactly how much money would be available without having to wait during the biennium and coming to the point where they might spend more than what they actually have and have a problem with that.

Senator Dick Dever: That might be a good point if we played with the wording on that.

Chairman Alon Wieland: Are we all kind of on the same wave length?

Senator Dick Dever: We left Section 2 completely the way the house sent it over to us. We did replace the Section 1 which had a study of the postwar trust fund. We didn't feel that it is necessary at this time.

Chairman Alon Wieland: I thought in the original bill there was some intent of adding some dollars into the postwar trust fund, and the question that we had was whether there is any authority for doing that. That was part of what was removed. Has that question been answered?

Senator Dick Dever: When the bill came to us, it did not include that provision and that was \$2 million.

Chairman Alon Wieland: I understand that. I am wondering if that was one of the reasons for the study. It really doesn't require a study. It requires an analysis of that. Would you like us to work on the wording before we do the actual voting to make sure that we have in here exactly what we have? At that same time, remove the line that Sheila suggested which gives the authority?

Senator Dick Dever: It seems to me that your point regarding future bienniums is a good one. We may want to word that in a way that it does on a continual basis.

Chairman Alon Wieland: I could certainly approach legislative council and ask them to work on that wording for us.

Rep. Bette Grande: I would agree that I would like to see this written out exactly how we are seeing it.

Chairman Alon Wieland: I would like to see it myself. I think I can ask legislative council to word that for us and to remove that and to get an amendment that would do that. We could bring that back and have a quick meeting and go through that, and I think we could probably get this settled.

Senator Dick Dever: It sounds to me like we are all on the same page with this. It is a matter of putting the wording together.

The meeting was adjourned.

2011 HOUSE STANDING COMMITTEE MINUTES

House Government and Veterans Affairs Committee

Fort Union Room, State Capitol

HB 1468

April 15, 2011

16648

☒ Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Provide an appropriation to the OMB for transfers to the veterans' postwar trust fund and veterans' aid fund

Minutes:

Chairman Alon Wieland opened the conference committee meeting on HB 1468. We do have a quorum. **Attachment 1 (Amendment 03002)** was explained. This is the one that deals with some wording. It actually creates Section 1. There is a wording change in Section 2. I believe there is going to be an amendment that will reword Section 3. We added some language talking about the post war trust fund. All income received from investments is to be utilized only for programs of benefit and service to veterans or their dependents, and all income earned in a biennium is appropriated to the administrative committee on veterans' affairs on a continuing basis in the following biennium and not in the biennium the income is earned. What that basically means is that we are adding \$210,000, the transfer that is mentioned in Section 2, which will be used in the upcoming biennium 2011-13 rather than having it, as in the past, being estimated. The quarterly payments that are divided by the state treasurer will still be there. The income that is actually earned in the next biennium will be the amount of the appropriation in the following biennium. We will know exactly how much that is. Section 2 is the appropriation of \$210,000. That is, of course, one-time money and ends June 30, 2015. The income generated by the veterans' postwar trust fund during the biennium beginning July 1, 2011 and ending June 20, 2013 must be held with the corpus of the fund for appropriation to the department of veterans' affairs as income for the biennium beginning July 1, 2013. If you look at reengrossed house bill with senate amendments, we removed the language which says which the office of management and budget shall transfer. It is the treasurer that does the transfer of funds.

Rep. Bette Grande: I want to reiterate something you said. This particular transfer was asked for a particular reason such as to be able to shift that so we are not trying to go off of what is being earned and deciding. Now we are going to know each year what is in there. This is considered a one-time appropriation. This is not going to be ongoing. It is not an asking for each biennium type of thing. We are not looking to being doing this on a continuing basis.

Chairman Alon Wieland: It does not double the appropriation for a given biennium. For the time being, it will still be in the same general range, but we hope interest rates will improve over time and so in the future there could be more dollars earned. That is fine as long as it is understood that they will be receiving the amount of money that is actually earned, not estimated.

Senator Ronald Sorvaag: We are removing the \$50,000?

Chairman Alon Wieland: No, that would be Section 3.

Senator Dick Dever: I like the language of it. I am wondering if you want to meld the two amendments together.

Chairman Alon Wieland: I have no objection to that. We can do that.

Rep. Bette Grande explained **Attachment 2 (Amendment 03003)**. This amendment deals with that new Section 3 which is the \$50,000. During this session Senator Dever and I have met with ACOVA and Lonnie Wangen, and one of their big concerns has been a transportation issue. There is a shortage of vans or a need for new vans. What I wanted to do was not have them take the van money out of this \$210,000. We want them to utilize that money for the grant programs, for the needs of the veterans. I would like to propose with this amendment is that \$50,000 will go towards the availability to purchase vans for the transportation of the veterans and dependents, if necessary. That \$50,000 is significant in that DAV out of Colorado has vans that will run about \$24,000 to \$25,000 a piece. This gets them two vans. The vans that are currently out and running too high on mileage and running into that nickel and dime time of owning an old vehicle, we can get those into Fargo and Bismarck where they are driving a little more local. Then get the new vans out for transportation. It won't be in that loan fund, but it will be in a van fund.

Senator Ronald Sorvaag: My understanding is the loan fund was getting quite low and that was partial the request of the \$50,000.

Rep. Bette Grande: It is a revolving loan fund. It is low, but it is revolving back in. That loan fund will survive on its own. I received a letter yesterday from the commissioner that says they are coming close to getting some insurance guarantees on those loans. If they can get that insurance on those loans, they will guarantee those rolling back instead of defaults and that will solve a lot of those problems too. We will watch that loan fund, but I think right now very significant is that transportation of the veterans.

Senator Dick Dever: I am wondering if it would be an appropriate motion to move to adopt both amendments.

Chairman Alon Wieland: We can try that. You can make the motion to adopt both and we can see how it goes.

Senator Dick Dever: I would make a motion then that we adopt both amendments with the understanding that they will be melded together and drafted appropriately.

Rep. Bette Grande seconded the motion.

6 YEAS, 0 NAYS. THE SENATE RECEDES FROM SENATE AMENDMENTS AND AMEND AS FOLLOWS.

Senator Richard Marcellais: I just thought of something when Rep. Grande brought it. Has the VA checked into excess vans from GSA or state surplus?

Rep. Bette Grande: That is something that can be duly noted since the chair of the ACOVA is in the room. He will duly note the best way to service vans and do that. I know they have worked. The quality of the vans they receive out of DAV is a great buy. They also are looking at ways to utilize the mass transit system in the state. We are looking at the costs and developing a program with that too.

Senator Dick Dever: I am sure if there was another option that allowed them to buy a third van, they would research that and do that. It is interesting that they buy the vans and then the VA covers the maintenance and fuel costs.

The meeting was adjourned.

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1468

That the Senate recede from its amendments as printed on page 1330 of the House Journal and page 905 of the Senate Journal and that Reengrossed House Bill No. 1468 be amended as follows:

Page 1, line 1, remove "provide for a legislative management study of the veterans' postwar trust"

Page 1, line 2, replace "fund and the veterans' aid trust fund" with "amend and reenact section 37-14-14 of the North Dakota Century Code, relating to the veterans' postwar trust fund"

Page 1, line 2, after the second "the" insert "department of veterans' affairs and for a transfer from the"

Page 1, line 3, remove "for transfer"

Page 1, after line 4, insert:

"SECTION 1. AMENDMENT. Section 37-14-14 of the North Dakota Century Code is amended and reenacted as follows:

37-14-14. Veterans' postwar trust fund.

The veterans' postwar trust fund is a permanent trust fund of the state of North Dakota and consists of moneys transferred or credited to the fund, ~~pursuant to~~ under this chapter and other laws. Investment of the fund is the responsibility of the state treasurer who shall invest the fund only in those legal investments authorized by section 21-10-07. All income received from investments is to be utilized only for programs of benefit and service to veterans or their dependents, and all income earned in a biennium is appropriated to the administrative committee on veterans' affairs on a continuing basis in the following biennium and not in the biennium the income is earned for expenditure on these programs as authorized by law."

Page 1, replace lines 5 through 12 with:

"SECTION 2. APPROPRIATION - TRANSFER - DEPARTMENT OF VETERANS' AFFAIRS. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$210,000, or so much of the sum as may be necessary, to the department of veterans' affairs to be used in lieu of income generated from the veterans' postwar trust fund for programs authorized by law to benefit and serve veterans or their dependents, for the biennium beginning July 1, 2011, and ending June 30, 2013. The income generated by the veterans' postwar trust fund during the biennium beginning July 1, 2011, and ending June 30, 2013, must be held with the corpus of the fund for appropriation to the department of veterans' affairs as income for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

11.0686.03003
Title.

Prepared by the Legislative Council staff for
Representative Grande
April 15, 2011

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1468

That the Senate recede from its amendments as printed on page 1330 of the House Journal and page 905 of the Senate Journal and that Reengrossed House Bill No. 1468 be amended as follows:

Page 1, line 2, remove "office of"

Page 1, line 3, replace "management and budget for transfer to the veterans' aid fund" with
"department of veterans' affairs"

Page 1, line 13, remove "- **TRANSFER - VETERANS' AID FUND**"

Page 1, line 15, remove "which the office"

Page 1, remove line 16

Page 1, line 17, replace "available in the fund for programs authorized by law to benefit and serve" with "to the department of veterans' affairs for the purpose of purchasing vans for the transport of"

Renumber accordingly

April 15, 2011

YR
4/15/11
182

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Renumber accordingly

2011 HOUSE CONFERENCE COMMITTEE ROLL CALL VOTES

Committee: GOVERNMENT AND VETERAN AFFAIRS

Bill/Resolution No. 1468 as (re) engrossed

Date: 4-15-11

Roll Call Vote #: 1

Action Taken

- ☐ HOUSE accede to Senate amendments
☐ HOUSE accede to Senate amendments and further amend
☐ SENATE recede from Senate amendments
☒ SENATE recede from Senate amendments and amend as follows

House/Senate Amendments on HJ/SJ page(s) 1330

- ☐ Unable to agree, recommends that the committee be discharged and a new committee be appointed

((Re) Engrossed) _____ was placed on the Seventh order of business on the calendar

Motion Made by: Dever Seconded by: Grande

Representatives	4-12	4-15	Yes	No		Senators	4-12	4-15	Yes	No
Wieland	✓	✓	✓			Dever	✓	✓	✓	
Grande	✓	✓	✓			Sorvaag	✓	✓	✓	
Guggisberg	✓	✓	✓			Marcellais	✓	✓	✓	

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier _____ Senate Carrier _____

LC Number _____ of amendment

LC Number _____ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

Adopted amendment (03002 + 03003)

REPORT OF CONFERENCE COMMITTEE

HB 1468, as reengrossed: Your conference committee (Sens. Dever, Sorvaag, Marcellais and Reps. Wieland, Grande, Guggisberg) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ page 1330, adopt amendments as follows, and place HB 1468 on the Seventh order:

That the Senate recede from its amendments as printed on page 1330 of the House Journal and page 905 of the Senate Journal and that Reengrossed House Bill No. 1468 be amended as follows:

Page 1, line 1, remove "provide for a legislative management study of the veterans' postwar trust"

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Renumber accordingly

Reengrossed HB 1468 was placed on the Seventh order of business on the calendar.

2011 TESTIMONY

HB 1468

TESTIMONY ON HB 1468
10:00A.M. FORT UNION ROOM
GOVERNMENT & VETERANS AFFAIRS COMMITTEE
LYLE SCHUCHARD, CHAIRPERSON
ND AMINISTRATIVE COMMITTEE ON VETERANS' AFFAIRS
February 3, 2011

Attachment 1
1468

GOOD MORNING CHAIRMAN GRANDE AND COMMITTEE MEMBERS.
I AM LYLE SCHUCHARD, CHAIRMAN OF THE ADMINISTRATIVE
COMMITTEE ON VETERAN'S AFFAIRS.

THE ADMINISTRATIVE COMMITTEE ON VETERANS' AFFAIRS IS A 15
MEMBER COMMITTEE APPOINTED BY THE GOVERNOR FROM
NAMES SUBMITTED BY EACH OF THE STATE'S 5 MAJOR VETERANS
ORGANIZATAIONS. THE FIVE ARE THE AMERICAN LEGION,
DISABLED AMERICAN VETERANS, (DAV), VETERANS OF FOREIGN
WARS (VFW), VIETNAM VETERANS OF AMERICA (VVA), AND THE
AMERICAN VETERANS (AMVETS). WE ARE RESPONSIBLE FOR
OVERSEEING THE OPERATIONS OF THE NORTH DAKOTA
DEPARTMENT OF VETERANS AFFAIRS.

HB 1468 IS A BILL FOR AN ACT TO PROVIDE AN APPROPRIATION TO
THE OFFICE OF MANAGEMENT AND BUDGET FOR TRANSFERS TO
THE VETERANS POSTWAR TRUST FUND AND THE VETERANS AID
FUND.

THE BILL WOULD PROVDE FOR ADDITIONAL FUNDING FOR
PROGRAMS AUTHORIZED BY LAW TO BENEFIT AND SERVE
VETERANS OR THEIR DEPENDENTS, FOR THE NEXT BIENNIUM.

THE ND COMMISSIONER OF VETERANS AFFAIRS, MR. LONNIE
WANGEN, WILL FOLLOW ME AND PROVIDE MONETARY AMOUNTS
AND DETAILED JUSTIFICATION FOR THESE REQUESTS.

THE ADMINISTRATIVE COMMITTEE ON VETERANS AFFAIRS HAS
VOTED FOR APPROVAL OF THIS BILL.

THEREFORE I ASK THAT THE COMIITTEE GIVE FAVORABLE
CONSIDERATION TO PASSING HB 1468.

DO YOU HAVE ANY QUESTIONS OF ME?

THANK YOU FOR LETTING ME TESTIFY TODAY.

2/03/2011

HB 1468

Testimony of Lonnie Wangen Commissioner of Veterans Affairs

Madam Chairman Grande and Committee members,

HB 1468 is proposed to provide funding relief for the Post War Trust Fund (PWTF) for one biennium, add additional funds to the principal balance and provide additional funding for the Veterans Aid Loan Fund.

Post War Trust Fund

37-14-14. Veterans' postwar trust fund. The veterans' postwar trust fund is a permanent trust fund of the state of North Dakota and consists of moneys transferred or credited to the fund, pursuant to this chapter and other laws. Investment of the fund is the responsibility of the state treasurer who shall invest the fund only in those legal investments authorized by section 21-10-07. All income received from investments is to be utilized only for programs of benefit and service to veterans or their dependents, and all income is appropriated to the administrative committee on veterans' affairs on a continuing basis for expenditure on these programs as authorized by law.

Section 1. Funds for ND-DVA PWTF programs.

With the current system:

- The treasurer's office forecasts the income for the next biennium.
- Administrative Committee on Veterans Affairs (ACOVA) budgets around this forecast.
- The treasurer reports quarterly to the ACOVA on PWTF balance, and interest earnings available.
- The ACOVA authorizes the available PWTF funds to be transferred to the Department of Veterans Affairs and spent on various veterans programs.
- ND-DVA requests the funds be moved to the Department of Veterans account and spends out of that account as directed.

Proposed system:

- Provide initial funds to the ND-DVA account to budget for 2011-2013 biennium
- At end of biennium Treasurer will report total income earnings from 2011-2013 biennium to ACOVA
- The actual income earnings will be used in the 2013-2015 biennium

This will provide actual amount of PWTF interest earnings for budgeting.

In case of economic emergency-funds are available in PWTF

Balance in the funds in the ND-DVA account would earn interest

At a lower rate

But would be secured for the biennium

Section 2. Funds for PWTF

Grow the fund to maintain buying value

Provide safety net for economic down turns

The Value of the PWTF in 1991 was \$4.1 Million and the value in 2011 is \$4.1 Million. The fund does not have the buying power it did over 20 years ago. We would like to be able to put money back into the fund to ensure it will be viable for the current and future needs of our veterans.

The interest earning expenditures for 2005-2007 was \$367,568.19

The interest earning expenditures for 2007-2009 was \$434,570.00

The interest earning expenditures for 2009-2011 estimated at \$200,000

The average interest funds transferred to the veterans programs since 2005 is 4.07373%

With the expenditures for the last 2 complete biennium's averaging \$200,000 per year and the cost of grant programs expecting to increase we want to be prepared to meet the needs of the veterans.

With a goal of \$200,000 per year in expenditures and growing the fund with the rate of inflation we have made the following calculations (attachment 1).

- Using the CPI index for the last 20 years at 2.36% the fund would need to re-invest \$96,760 per year.
- To earn \$200,000 per year for expenditures and \$96,760 for re-investment at the average interest rate of 4.07% the fund would need to be at \$7,291,400.49
- Using the current rate of inflation of 3.1% the fund would need to be at \$8,036,855.04
 - We chose to take the conservative 2.36% for calculations

If the fund of \$4,100,000 has \$2,000,000 added to the principal and \$400,000 added to fund the 2011-2013 biennium it would have a beginning balance of \$6,500,000

- The \$400,000 would be taken from the fund as needed for the biennium expenditures
- The average interest rate of 4.07%
- Could have a balance of \$7,029,585.22 for the beginning biennium of 2013-2015
 - Just short of the \$7,291,400.49 needed to maintain at the CPI of 2.36%

Some considerations

- With the interest not being taken out every quarter the fund should compound and earn more interest during the next biennium
- The average interest of 4.07% is conservative and could be higher
 - Does include the current biennium which is estimated
- 3.1% inflation rate could move up or down

Section 3. Veterans Aid Loan Fund

37-14-04. Veterans' aid fund - Purpose. The purpose of the veterans' aid fund is to make loans to any veteran and to a surviving spouse of a veteran if the spouse has not remarried. A qualified applicant may be permitted to receive more than one loan providing the total amount of all loans does not exceed five thousand dollars.

Current amount loaned out \$527,158.01

Current amount available to loan out \$44,790.97

At \$5,000 per loan only 8-9 loans available

This loan program is proving to be a very valuable benefit for our veterans and has not had any principal added to it as far back as our records show. It earns interest and has sustained itself for decades. The demand for the loan program has increased and we would like to be able to continue to provide this benefit to our veterans.

I would like to thank you for your consideration on this very important bill. I will be happy to provide any further information and answer any questions you may have.

THANK YOU

AVERAGE

2005-2007

2007-2009

2009-2011

\$ 4,100,000.00	\$ 4,100,000.00	\$ 4,100,000.00
\$ 200,000.00	\$ 434,570.00	\$ 367,568.19
\$ 100,000.00	\$ 217,285.00	\$ 183,784.10
0.024390244	0.052996341	0.044825389
\$ 2,000,000.00	\$ 4,100,000.00	\$ 6,100,000.00
\$ 81,474.6496	\$ 167,023.0317	\$ 248,497.6813
\$ 62,000.00	\$ 127,100.00	\$ 189,100.00
\$ 47,200.00	\$ 96,760.00	\$ 143,960.00

PWTF Principal
Interest paid out to Programs
interest per year
Annual interest rate

Average annual interest rate on PWTF (4.07%)

Current rate of inflation (3.1%)

CPI (2.36)

Goal of \$200,000 per year plus maintain value of \$4,100,000 with average interest rate of 4.07%

Using CPI of 2.36% will need to re-invest \$96,760

Expenditures	+ Re-invest	= Total interest
\$ 200,000.00	\$ 96,760.00	\$ 296,760.00

Total Interest	/ Average interest rate	= Principal needed
\$ 296,760.00	0.0407	\$ 7,291,400.49

Using Current inflation rate of 3.1% need to re-invest \$127,100

Expenditures	+ Re-invest	= Total interest
\$ 200,000.00	\$ 127,100.00	\$ 327,100.00

Total Interest	/ Average interest rate	= Principal needed
\$ 327,100.00	0.0407	\$ 8,036,855.04

Proposed Principal Balance 2011-2013 Biennium
Average annual interest rate of PWTF
Annual Interest earned
Biannual interest earned

\$ 6,500,000.00	\$ 7,029,585.22
0.0407	0.0407
\$ 264,792.61	\$ 286,366.50
\$ 529,585.22	\$ 572,732.99
\$ 6,596,995.36	

PWTF principal balance beginning 2013-2015 biennium

\$ 248,497.6813
 \$ 127,100.000
 \$ 121,397.68
 \$ 242,795.36

Average interest from \$6,100,000
 Rate of Inflation on \$4,100,000
 difference per year (available for programs)
 difference per biennium

\$ 96,760.00
 \$ 151,737.68
 \$ 303,475.36

CPI on \$4,100,000
 difference per year
 Difference per biennium

\$ 296,760.00
 \$ 7,291,400.49

Value of \$1 in 1991 to 2009

	1991 PWTF	2009 value PWTF
Consumer Price Index	2.36 \$	4,100,000.00 \$
Relative share of Gross Domestic Product	3.41 \$	4,100,000.00 \$
Nominal Gross Domestic Product per capita	4.56 \$	4,100,000.00 \$

Consumer Price Index
 Relative share of Gross Domestic Product
 Nominal Gross Domestic Product per capita

Using www.bls.gov (Bureau of Labor Statistics)

cpi in 1991 90.9
 cpi in 2010 214.5

initial value	x 2010 CPI	/ 1991 CPI	=Amount needed today
\$ 4,100,000.00	214.5	90.9	\$ 9,674,917.49

Attachment 5
1468

NORTH DAKOTA VETERANS COORDINATING COUNCIL

My name is John L. Jacobsen. I am the Chairman of the Legislative Committee of the North Dakota Veterans Coordinating Council. I am also a member of the American Legion and the Veterans of Foreign Wars.

I served in the North Dakota National Guard and the US Army Reserve for a total of 30 years. I retired in 1995 as a Colonel. I served on Active Duty in 1991 during Operation Desert Shield/Desert Storm in the Persian Gulf, stationed in the United Arab Emirates.

The Coordinating Council is made up of 15 members, 3 from each of the five Veterans Organizations in North Dakota:

- American Legion
- AMVETS
- Disabled American Veterans
- Veterans of Foreign Wars
- Vietnam Veterans of America

It is the policy of the Coordinating Council to support legislation that will benefit the welfare of the members of the Armed Forces. The committee **MUST** concur totally, that is all 15 members must agree on the legislation to be supported or else it does not get the support.

In this case, I have been instructed to recommend to this legislative committee that a "DO PASS" on HB 1468 is supported by the Veterans Coordinating Council.

Veteran's Postwar Trust Fund Summary of Expenditures and Usage

Expenditures from Postwar Trust Fund 2001-2009

2007-2009	
Total expenditures from fund:	\$387,138.23
Amount spent on grant program:	\$307,084.35
2005-2007	
Total expenditures from fund:	\$217,958.92
Amount spent on grant program:	\$143,039.96
2003-2005	
Total expenditures from fund:	\$340,129.10
Amount spent on grant program:	\$38,758.19
2001-2003	
Total expenditures from fund:	\$229,000.00
Amount spent on grant program:	\$157,000.00

Usage statistics for the grants paid by the Veteran's Postwar Trust Fund

Population: Estimated 55,768 veterans live in North Dakota according to the 2006-2008 American Community Survey (ACS). That population is estimated to decrease 1% on an annual basis through 2030 mostly due to a higher number of deaths than the number of new veterans (1% of 55,768=557.68 per year.)

Usage of grant funds:

- 1493 people were approved for grants from 1993 to 2010 (18 year period)
- 963 people actually had grants paid (over 18 years = 53.5 people a year = .0009593 of the veteran population, or just less than 1/10 of 1%)
- 82% of people applied 1-3 times
- 16% of people submitted 4-6 applications
- 2% of the beneficiaries submitted anywhere from 10-18 applications
- 530 (35%) people received no payments

Most ages served were 55 and older. Ages 35-54 made up just under 20% of the grant usage. Ages 18-34 were generally not served under the grant program.

Attachment 1
1468

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1468

Page 1, line 7, replace "veterans' postwar trust fund" with "department of veterans' affairs"

Renumber accordingly

March 18, 2011

HB 1468

Testimony of Lonnie Wangen Commissioner of Veterans Affairs

Chairman Devers and Committee members,

HB 1468 was proposed to provide funding relief for the Post War Trust Fund (PWTF) for one biennium, add additional funds to the principal balance and provide additional funding for the Veterans Aid Loan Fund. The amended version "Second Engrossment" .03000 provides for a study and \$50,000 to the loan program. I would like to ask that this committee consider amending this bill back to its original draft. To include removing the study, and changing line 7 from Post war trust fund to department of veterans affairs. See attached.

Post War Trust Fund

37-14-14. Veterans' postwar trust fund. The veterans' postwar trust fund is a permanent trust fund of the state of North Dakota and consists of moneys transferred or credited to the fund, pursuant to this chapter and other laws. Investment of the fund is the responsibility of the state treasurer who shall invest the fund only in those legal investments authorized by section 21-10-07. All income received from investments is to be utilized only for programs of benefit and service to veterans or their dependents, and all income is appropriated to the administrative committee on veterans' affairs on a continuing basis for expenditure on these programs as authorized by law.

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- The ACOVA authorizes the available PWTF funds to be transferred to the Department of Veterans Affairs and spent on various veterans programs.
- ND-DVA requests the funds be moved to the Department of Veterans account and spends out of that account as directed.

****Basically the interest is spent as it is earned.**

Proposed system:

- Provide initial funds to the ND-DVA account to budget for 2011-2013 biennium
- At end of biennium Treasurer will report total income earnings from 2011-2013 biennium to ACOVA
- The actual income earnings will be used in the 2013-2015 biennium
- This will provide actual amount of PWTF interest earnings for budgeting
- In case of economic emergency-funds are available in PWTF
- Balance of the funds in the ND-DVA account would earn interest
 - At a lower rate
 - Would be secured for the biennium

Section 2. Funds for PWTF

Grow the fund & Provide safety net for economic down turns.

PWTF principal was 4.1 million in 1980's still the same, buying power has diminished.

Projected future needs of the PWTF

Please see attachment

Section 3. Veterans Aid Loan Fund

37-14-04. Veterans' aid fund - Purpose. The purpose of the veterans' aid fund is to make loans to any veteran and to a surviving spouse of a veteran if the spouse has not remarried. A qualified applicant may be permitted to receive more than one loan providing the total amount of all loans does not exceed five thousand dollars.

This is a loan with an 8% interest rate which the veteran will be refunded half of the interest paid when the loan is paid in full.

February balance: amount loaned out \$527,158.01

Amount available to loan out \$44,790.97

This loan program is proving to be a very valuable benefit for our veterans and has not had any principal added to it as far back as our records show (over 40 years). It earns interest and has sustained itself for decades. The demand for the loan program has increased and we would like to be able to continue to provide this benefit to our veterans. We have notice that when soldiers are called up to deploy overseas they take out this loan to get home and auto repairs done prior to leaving.

I would like to thank you for your consideration on this very important bill.

PWTF FUTURE EXPENDITURES

	Last Full Biennium Actual expenditures 2007-2009	\$200,000 Funded 2009-2011	2011-2013	2013-2015	2015-2017	
Grants Funded	\$ 310,000.00	\$ 165,931.31	\$ 329,211.00	\$ 339,851.00	\$ 515,978.00	Treasurers study projections-Page 24, Attached.
Appeals	\$ 700.00	\$ 650.00	\$ 800.00	\$ 900.00	\$ 1,000.00	Grant & Loan Appeals Cost.
Van Driver Lodging	\$ 4,000.00	\$ 3,800.00	\$ 4,500.00	\$ 5,000.00	\$ 5,500.00	Volunteer drivers staying in Fargo over night
Van Purchase	\$ 30,500.00	\$ -	\$ 30,000.00	\$ 60,000.00	\$ 60,000.00	Purchase of transportation vans.
*Wheel Chair accessible vans	\$ -	\$ -	\$ 38,000.00	\$ 38,000.00		*Purchase 2 wheel chair accessible vans. Attached
Sale of replaced van	\$ (7,000.00)		\$ (7,000.00)	\$ (7,000.00)	\$ (7,000.00)	Resale of van replaced
DAV Transportation Network	\$ 500.00	\$ 500.00	\$ 1,000.00	\$ 1,500.00	\$ 2,000.00	Bus tickets: veterans to get to VAMC
Veterans Preference	\$ 10,000.00	\$ -	\$ 20,000.00	\$ 20,000.00	\$ 20,000.00	Attorney fees
Stand Down	\$ 4,000.00	\$ 3,300.00	\$ -	\$ 20,000.00	\$ 20,000.00	If funded by HB 1177 for 2011-2013.
*Adaptive Housing			\$ -	\$ 141,429.00	\$ 141,429.00	*Assist Disabled veterans in adapting homes
*Adaptive Auto			\$ -	\$ 25,000.00	\$ 25,000.00	*Assist Disabled veterans in adapting automobiles
Veterans Home Activities	\$ 20,000.00		\$ -	\$ 25,000.00	\$ 30,000.00	Residents activities, programs
Veterans Home Social Services	\$ 2,500.00		\$ -	\$ 3,000.00	\$ 3,500.00	Assist new residents, clothing, haircuts, travel.
Veterans Home Miscellaneous	\$ 7,770.00		\$ -	\$ -	\$ -	AED's and exercise equipment.
Meetings	\$ 2,500.00		\$ -	\$ -	\$ -	No longer funding
Reserve fund	\$ 50,000.00					No longer funding
Grant Requests to PWTF	\$ -		\$ -	\$ -	\$ -	Requests from PWTF funds.
Sub-Total	\$ 435,470.00	\$ 174,181.31	\$ 416,511.00	\$ 672,680.00	\$ 817,407.00	

Vans needed 2011-2013	1	\$30,000	12	Passenger van estimated at \$30,000 each.
Wheel Chair accessible vans	2	\$76,000	Estimated:	\$38,000 each

Adaptive Housing	\$565,710	12	\$47,143	12 Veterans in last 3 years. Average 3 veterans@ \$47,143 each= \$141,429.
Adaptive Auto	VA pays half of costs. Propose to assist in paying 1/2 of Veterans costs= \$70,714.5 per year = \$141,429 per Biennium.			

PWTF earnings/expenditures:	2009-2011	\$ 200,000.00
	2007-2009	\$ 435,470.00
	2005-2007	\$ 367,568.00
	2003-2005	\$ 369,945.00
	2001-2003	\$ 449,024.00

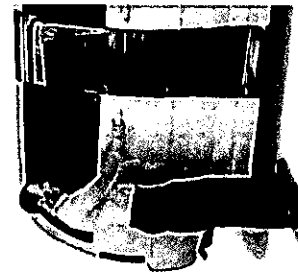
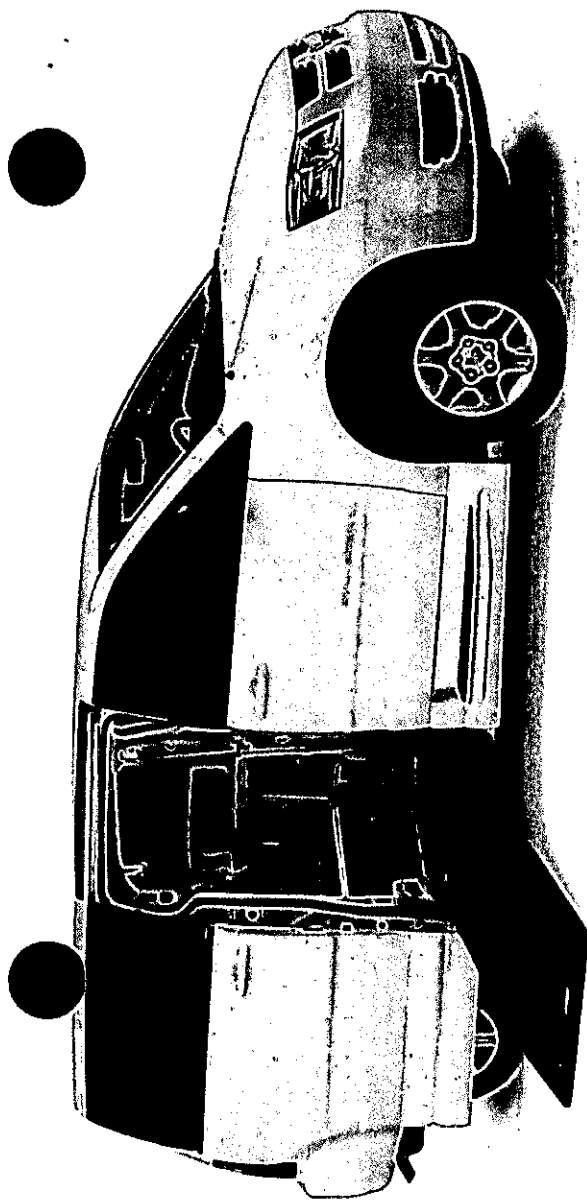
- The inflation rate of 3% is considered for future year.
- We assume that the denture benefits are included in projection starting with year 2011. It is estimated that about 100 people per year would use denture benefits. The annual limit on denture benefits would be raised to \$1,750 in year 2015 to cope with the rising cost for medical services.
- We assume that the average annual amount for special benefits would be raised to amount of \$1000 per person in year 2015.
- We assume that the average annual amount for optical benefits would be raised to amount of \$500 per person in year 2015.
- We assume that the average amount of dental benefits would be raised to amount of \$1,000 per person in year 2015. Note, current limit on dental benefits is \$1000 but on average about \$500-\$750 is used on annual basis. With increased cost for dental appointments and procedures, the benefit amount should increase by year 2015.

It is projected that the total amount of benefits allocated to medical grants will reach about \$570,000 by year 2021. The breakdown by category is provided in table below.

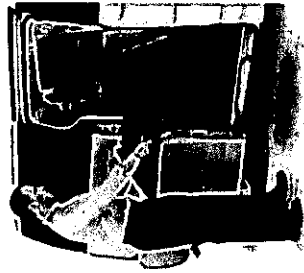
Projection of Benefit Needs for Veteran's Population in North Dakota						
Category	7/1/09-6/30/11	7/1/11-6/30/13	7/1/13-6/30/15	7/1/15-6/30/17	7/1/17-6/30/19	7/1/19-6/30/21
(1) DENTAL						
- amt. paid	\$ 104,845	\$ 111,230	\$ 118,004	\$ 228,161	\$ 242,056	\$ 256,798
- count	209	215	222	228	235	242
(2) DENTURE						
- amt. paid	\$ 15,000	\$ 154,500	\$ 154,500	\$ 175,000	\$ 180,250	\$ 185,658
- count	10	100	100	100	100	100
(3) HEARING						
- amt. paid	\$ 25,206	\$ 26,741	\$ 28,369	\$ 30,097	\$ 31,930	\$ 33,875
- count	20	21	21	22	23	23
(4) OPTICAL						
- amt. paid	\$ 29,631	\$ 31,436	\$ 33,350	\$ 71,792	\$ 76,164	\$ 80,803
- count	131	135	139	144	148	152
(5) SPECIAL						
- amt. paid	\$ 5,000	\$ 5,305	\$ 5,628	\$ 10,927	\$ 11,593	\$ 12,299
- count	10	10	11	11	11	12
Total (1)-(5)	\$ 179,682	\$ 329,211	\$ 339,851	\$ 515,978	\$ 541,994	\$ 569,431

THE BRAUN CORPORATION® **COMMERCIAL ENTERVAN®**

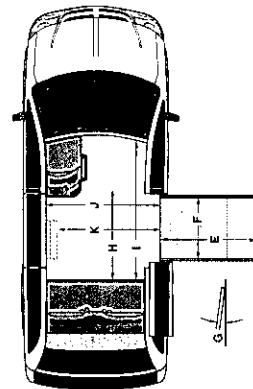
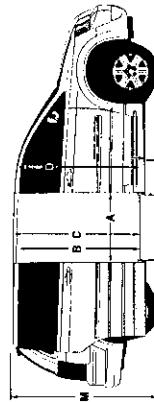
- 2009 Dodge RT Grand Caravan SE Chassis
- ADA, FMVSS and CMVSS Compliant
- Meets/exceeds Altoona test requirements
- CARB approved
- 7-passenger vehicle (with optional 2-passenger Fold-A-Way Seat)
- Lowered floor from firewall to rear axle
- 61" floor-to-ceiling at center of van*
- Manual swing ramp providing 30" usable width
- Multiple wheelchair securement locations
- One belt system for wheelchair securement
- Manual driver and passenger side sliding door providing 56-1/4" vertical opening (ADA compliant), passenger door provides 31-1/2" in width
- Step-and-Roll front seats
- Roll and Tumble third row seating
- Front passenger floor tracks for wheelchair securement, with 60" floor-to-ceiling height
- Stylized lower body panels with integrated steps
- Vinyl flooring with 3/8" marine grade plywood underlayment
- ADA-compliant interlock
- ADA-compliant ramp and door entrance lighting
- Priority seat decal
- Wheelchair securement location decals
- 3-passenger bench seat at rear with folding footrest
- Auxiliary wiring harnesses include fused circuits
- Emergency rear hatch release
- Easy maintenance interior trim package
- 20 gallon OEM fuel tank



Manual Door
The Commercial Entervan® features an ADA compliant manual driver and passenger sliding door with 56-1/4" vertical opening.



Manual Ramp
The 30" wide aluminum foldout ramp makes it easy to load and unload wheelchair users. The ramp swing-out feature allows easy ambulatory access to the vehicle.



All dimensions are for reference only.

	A	B	C	D	E	F	G	H	I	J	K	L	M
Door Opening Usable Width (Slide Door)	31-1/2"	56-1/4"	61"	60"	52"	30"	12.5"	57"	86"	62-1/2"	49-3/4"	16-1/4" - 25"	74"
Door Opening Usable Height (Slide Door)													
Interior Height at Center of Van*													
Interior Height at Driver and Passenger Position*													
Ramp Length													
Ramp Width (Usable Clear Opening)													
Ramp Angle (Unloaded)													
Interior Floor Length (Behind Front Seats)													
Overall Interior Floor Length (Flat Area)													
Interior Width at B-Pillars													
Width - Ramp to Optional 2-Pass. Seat (Folded)													
Ground Clearance (Unloaded) - ¹ Loaded @ 1200 lbs													
Overall Vehicle Height (Unloaded)													

Due to manufacturing tolerances both with the OEM vehicle and the conversion components, all dimensions may vary slightly from those shown.

* Deduct 3" off of Interior Height for Applications with Overhead DVD/Rear Heat & AC/Rail System

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TESTIMONY ON HB 1468 - ND VETERANS COORDINATING
COUNCIL.

A veteran is an individual that has signed a blank check in the amount of and up to including his or her life for their country. Good morning, my name is John L. Jacobsen. I am the Chairman of the Legislative Committee of the North Dakota Veterans Coordinating Council.

The Coordinating Council is made up of 15 members, 3 from each of the membership of the five Veterans Organizations in North Dakota:

- American Legion
- AMVETS
- Disabled American Veterans
- Veterans of Foreign Wars
- Vietnam Veterans of America

It is the policy of the Coordinating Council to support legislation that will benefit the welfare of the veterans of the State of North Dakota. The committee **MUST** concur totally, that is all 15 members must agree on the legislation to be supported or else it does not get the support.

In this case, the Coordinating Council cannot support HB 1468 in it's present format, but would support it if it were in the original format as an appropriation rather than as a Legislative Management Study.

Amendments to Engrossed HB 1468 for Senate Government and Veteran's Affairs

Page 1, line 5, replace "**LEGISLATIVE MANAGEMENT STUDY - VETERANS' POSTWAR TRUST**" with "**APPROPRIATION - TRANSFER – DEPARTMENT OF VETERANS AFFAIRS.**"

Page 1, remove line 6.

Page 1, replace lines 7-12 with the following:

"There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$210,000, or so much of the sum as may be necessary, which the office of management and budget shall transfer to the department of veterans affairs to be used in lieu of income generated from the veterans' postwar trust fund for programs authorized by law to benefit and serve veterans or their dependents, for the biennium beginning July 1, 2011, and ending June 30, 2013. It is the intent of the legislative assembly that any income generated by the veterans' postwar trust fund during the biennium beginning July 1, 2011, and ending June 20, 2013, be held with the corpus of the fund for distribution to the department of veterans affairs during the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

February 2011

ANALYSIS OF THE VETERANS' AID FUND FOR THE 2009-11 AND 2011-13 BIENNIUMS

	2009-11 Biennium		2011-13 Biennium	
Beginning balance		\$151,270 ¹		\$85,088
Add estimated revenues				
Loan principal payments	\$207,218		\$213,416	
Interest payments	55,000		62,871	
Total estimated revenues		262,218		276,287
Total available		\$413,488		\$361,375
Less estimated expenditures				
Loan disbursements	\$325,280		\$286,240	
Collection expense	3,120		3,120	
Total estimated expenditures		328,400		289,360
Estimated ending balance		\$85,088		\$72,015

¹The balances shown do not include outstanding loan receivables. The beginning balance does not include loans receivable totaling \$361,592 as of July 1, 2009.

FUND HISTORY

North Dakota Century Code Section 34-14-03 created by Section 3 of House Bill No. 94 (1943) established the veterans' aid fund. The purpose of the veterans' aid fund is to make loans to any veteran and to a surviving spouse of a veteran if the spouse has not remarried. The veterans' aid fund is a permanent revolving fund available for:

- Making loans to any veteran and to a surviving spouse of a veteran if the spouse has not remarried;
- Collecting loans if in the opinion of the department a person has the financial means to repay and that person deliberately refuses to repay; and
- Paying administrative expenses related to the making and collection of loans made from the fund.

Pursuant to Section 37-14-10, the Administrative Committee on Veterans' Affairs may make such reasonable rules and regulations as may be necessary to administer the veterans' aid fund. A qualified person may apply to the Department of Veterans' Affairs. If the Department of Veterans' Affairs is satisfied that an applicant is a veteran or the surviving spouse of a veteran and has not remarried, and that the applicant is a citizen and resident of this state, and that the applicant meets the criteria set forth in rules adopted pursuant to Section 37-14-10 regarding qualifications to obtain a loan, the department may loan the applicant no more than \$5,000 from the veterans' aid fund. Additional loans may be made to an applicant if the applicant still meets the loan criteria and if the total of all loans does not exceed \$5,000.

Loan terms may not exceed four years and the interest rate is determined as provided for in rules adopted by the Administrative Committee on Veterans' Affairs but may not exceed 10 percent annually. One-half of the interest must be waived if timely repayment is made to the fund as set forth in rules adopted by the Administrative Committee on Veterans' Affairs. The department may take necessary legal action to collect, compromise, or settle loans if in the opinion of the department the person has the financial means to repay, and the person deliberately refuses to do so. The department may release from financial liability any person it determines is financially unable to repay the loan through no fault of the person. The department may assess and collect a late payment penalty as provided in Section 47-14-05.

The Department of Veterans' Affairs must keep full records and files of all transactions, applications, advancements, and business pertaining to the veterans' aid fund and may submit a biennial report to the Governor and the Secretary of State in accordance with Section 54-06-04.

HB 1468
Feb. 10, 2011
Attachment 1

ANALYSIS OF THE VETERANS' POSTWAR TRUST FUND FOR THE 2009-11 AND 2011-13 BIENNIUMS (REFLECTING LEGISLATIVE ACTION THROUGH CROSSOVER)

	2009-11 Biennium		2011-13 Biennium	
Beginning balance		\$4,167,369		\$4,167,369
Add estimated revenues				
Investment income (loss)	\$200,000 ¹	200,000	\$200,000 ¹	200,000
Total estimated revenues				
Total available		\$4,367,369		\$4,367,369
Less estimated expenditures and transfers				
Grants and related expenditures	\$166,431 ²			
Administrative committee travel				
Veterans' Home activities				
Vehicles - Vans				
Veterans' transportation programs	3,800 ²			
Other veterans' programs	650 ²			
Appeals Committee	3,500 ²			
Stand Down (outreach to homeless veterans)	25,619 ³			
Additional anticipated expenditures		200,000	\$200,000 ³	200,000
Total estimated expenditures and transfers		\$4,167,369		\$4,167,369
Estimated ending balance				

¹The State Treasurer anticipates \$200,000 of investment income will be available from the veterans' postwar trust fund for the various programs supported by the fund during the 2009-11 biennium. The State Treasurer has not provided investment income estimates for the 2011-13 biennium, but anticipates the amounts will be similar to the 2009-11 biennium.

²Expenditures allocated and paid through December 31, 2010. The Administrative Committee on Veterans' Affairs receives and allocates funding on a quarterly basis, as it becomes available, to various programs.

³The Administrative Committee on Veterans' Affairs anticipates expending all of the funds that become available during the 2009-11 and 2011-13 bienniums.

NOTE: Since the 1993-95 biennium, the principal balance of the fund has been identified as \$4,101,849. The fund balance of the veterans' postwar trust fund as of January 31, 2011, was \$4,251,875 and the market value of the fund was \$4,516,743.

FUND HISTORY Established

The fund was created by Section 6 of 1981 Senate Bill No. 2271:

SECTION 6. TRANSFER OF VIETNAM BONUS FUNDS TO VETERANS' POSTWAR TRUST FUND. All unobligated moneys in the Vietnam veterans' adjusted compensation funds in the state treasury after July 1, 1981, shall be transferred by the state treasurer to the veterans' postwar trust fund. Any obligations of such funds as a result of any amendment of section 37-25-10 by the forty-seventh legislative assembly shall be paid out of the veterans' postwar trust fund and the moneys necessary to meet those obligations are hereby appropriated.

1988 Initiated Measure No. 4

Initiated measure No. 4, approved by the voters in the November 1988 general election, provided the following:

- Established the veterans' postwar trust fund as a permanent fund.
- Required the State Treasurer to transfer \$740,000 per year for five years commencing July 1, 1989, from the state general fund or other sources as appropriated by the Legislative Assembly to the veterans' postwar trust fund to total \$3.7 million.
- Appropriated the income from the veterans' postwar trust fund on a continuing basis to the Administrative Committee on Veterans' Affairs to be spent for veterans' programs as authorized by law.
- Required the State Treasurer to invest the fund in legal investments as provided by North Dakota Century Code Section 21-10-07.

The principal balance in the fund on December 8, 1988, was \$401,849.

Senate Bill No. 2009 (1989) transferred \$1,480,000, \$740,000 on July 1, 1989, and \$740,000 on July 1, 1990, from the state general fund to the veterans' postwar trust fund. The bill also appropriated up to \$274,000 of investment income earned on the veterans' postwar trust fund balance to the Veterans' Home for its operating costs. Because of net budget reductions during the 1989-91 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1989-91 biennium was reduced by \$95,005, from \$740,000 to \$644,995.

Senate Bill No. 2001 (1991) transferred \$1,575,005 from the general fund to the veterans' postwar trust fund during the 1991-93 biennium. This amount restored the \$95,005 which was not transferred during the 1989-91 biennium because of net budget reductions. Because of budget allotments ordered by the Governor during the 1991-93 biennium, the transfer from the general fund to the veterans' postwar trust fund for the second year of the 1991-93 biennium was reduced by \$5,670, from \$740,000 to \$734,330.

House Bill No. 1001 (1993) transferred \$745,670 from the general fund to the veterans' postwar trust fund during the 1993-95 biennium. This was the final transfer required by the initiated measure and included \$5,670 to restore the reduction made during the 1991-93 biennium because of budget reductions.

1996 Initiated Constitutional Measure No. 4

Initiated constitutional measure No. 4, approved by the voters in the November 1996 general election, created the following new section to Article X of the Constitution of North Dakota:

The veterans' postwar trust fund shall be a permanent trust fund of the state of North Dakota and shall consist of moneys transferred or credited to the fund as authorized by legislative enactment. Investment of the fund shall be the responsibility of the state treasurer who shall have full authority to invest the fund only in the same manner as the state investment board is authorized to make investments. All income received from investments is to be utilized for programs which must be of benefit and service to veterans, who are defined by legislative enactment, or their dependents, and such income is hereby appropriated to the administrative committee on veterans' affairs on a continuing basis for expenditure upon those programs selected at the discretion of the administrative committee on veterans' affairs.