Prepared by the North Dakota Legislative Council staff for the Public Safety Committee
July 2007

DELIVERY AND FUNDING OF VETERANS' SERVICES - BACKGROUND MEMORANDUM

The 2007 Legislative Assembly approved House Concurrent Resolution No. 3063 (attached as Appendix A) providing for a Legislative Council study of the delivery and funding of veterans' services by the state and counties. The resolution cites the following reasons for the study:

1. So long as the people of this state live free there will be veterans of military service who have sacrificed to secure that freedom;
2. These veterans are entitled to a host of state and federal benefits and may seek advice and aid from the United States Department of Veterans Affairs, North Dakota Department of Veterans Affairs, or a county veterans' service officer in obtaining these benefits;
3. Various state and federal veterans' benefit programs are constantly changing;
4. The state and counties may not have adequate human or financial resources to provide the maximum services necessary to ensure that eligible veterans receive the benefits to which they are entitled; and
5. Providing the qualifying benefits to all eligible veterans meets the goal for which these benefits were created--repaying veterans for their dedicated service.

The Public Safety Committee has been assigned this responsibility for the 2007-08 interim.

PREVIOUS LEGISLATIVE COUNCIL STUDIES

1993-94 Interim Budget Committee on Home and Community Care

During the 1993-94 interim, the Budget Committee on Home and Community Care studied long-term care needs of veterans in the state and the use of state and other existing facilities for long-term care for veterans. The committee recommended 1995 Senate Bill No. 2033 authorizing the acquisition or construction of a western North Dakota Veterans Home at a cost not to exceed $3 million, including up to $1,050,000 from a loan from the veterans' postwar trust fund and $1,950,000 from a Veterans Administration state home grant. The 1995 Legislative Assembly did not approve Senate Bill No. 2033.

2001-02 Interim Budget Committee on Government Administration

During the 2001-02 interim, the Budget Committee on Government Administration studied the management structure and oversight of the Veterans Home and the selection process for the commandant or administrator of the home. The committee recommended the following bills:

- House Bill No. 1027 to change the residency requirement for a veteran to be eligible for admission from one year to 30 days. This bill was not approved by the 2003 Legislative Assembly.
- House Bill No. 1028 to change the requirement for a spouse or surviving spouse of a veteran to be admitted to the Veterans Home. The bill reduced the number of years the spouse or surviving spouse must be married to a veteran from five years to one year and eliminated the requirement that the spouse or surviving spouse be at least 45 years old. This bill was not approved by the 2003 Legislative Assembly.
- House Bill No. 1029 to allow a veteran's service-connected compensation to be included in the veteran's contribution to the cost of care at the Veterans Home. This bill was approved by the 2003 Legislative Assembly.
- House Bill No. 1030 to provide for a Legislative Council study during the 2003-04 interim of the future role of the Veterans Home, including the development of a strategic plan for the operations of the home and the implementation of the recommendations included in the performance audit. This bill was not approved by the 2003 Legislative Assembly.

NORTH DAKOTA VETERANS' PROGRAMS

The following is a summary of benefits available to North Dakota veterans:

1. **Dependent tuition waiver** - Under North Dakota Century Code (NDCC) Section 15-10-18.3, a dependent of a resident veteran (or if the child's other parent was a resident of this state at the time of death or determination of total disability of the veteran) who was killed in action or died from wounds or other service-connected causes, was totally disabled as a result of service-connected causes, died from service-connected causes, died from service-connected disabilities, was a prisoner of war, or was declared missing in action, is entitled to free tuition to the level of a bachelor's degree or certification of completion from any state-supported institution of higher education or technical or vocational school.
2. **Veteran's adjusted compensation (bonuses)** - North Dakota Century Code Chapter 37-28 provides for adjusted compensation payments to members of the North Dakota National Guard, and North Dakota residents of the reserve and active duty component, who were mobilized after

December 5, 1992, in support of military operations around the world. The bonus payments are:

a. Each National Guard or reserve component veteran mobilized stateside is entitled to $50 for each month or fraction thereof, not to exceed $900.
b. Each National Guard, reserve, or active component resident veteran of foreign service who received the Expeditionary Medal or campaign badge is entitled to $100 for each month or major fraction thereof, not to exceed $1,800.
c. Combined totals for stateside and foreign service may not exceed $1,800.
d. If the veteran received a Purple Heart for foreign service, the veteran is entitled to a payment of $2,500 in lieu of monthly payments for adjusted compensation.
e. If the veteran is deceased, the veteran's beneficiary is entitled to any payments which the veteran would have been entitled.
f. In the case of a veteran who died as a result of active service during the period of service, the beneficiary of the veteran is entitled to a payment of $5,000 in lieu of any other compensation.
g. The 2005 Legislative Assembly appropriated $5 million from the general fund for providing adjusted compensation payments (bonus) for certain domestic and foreign service. The 2007 Legislative Assembly approved Senate Bill No. 2115, extending the program for two more years.

3. **National Guard tuition waiver program** - Under NDCC Chapter 37-07.1, an active member of the National Guard enrolled in a state-controlled school or participating private school is eligible for a waiver of up to 25 percent of any tuition fees (based on the student achieving at least a 2.0 grade point average). School waivers are applied as credits to the semester attended which will reduce the tuition amount due the following semester. If the student does not attend the following semester, the school payment is sent to the student in the form of a check.
4. **National Guard tuition grants (tuition and enlistment compensation program)** - North Dakota Century Code Section 37-07.2-01, as amended by 2007 Senate Bill No. 2115, provides for a grant program for active members of the North Dakota National Guard enrolled in an accredited North Dakota postsecondary institution. The program provides up to $1,000 per semester to eligible students taking 12 or more credit hours (based upon the student achieving at least a 2.0 grade point average). The goal of the tuition and enlistment program is to pay 100 percent of tuition costs for National Guard members when combined with the tuition waiver program and federal government programs. Students taking less than 12 hours will also be eligible for a percentage of the funding depending on actual credit hours. The program is limited to 130 credit hours per Guard member and is for undergraduate study only. Reimbursements are made directly to the student in the form of a check.
5. **Veterans' preferences** - Veterans' preferences are provided under NDCC Chapter 37-19.1. This preference provides that veterans who are state residents are entitled to preference over all other applicants in appointment or employment by governmental agencies, provided that such veteran is a United States citizen at the time of application for employment.
6. **Motor vehicle excise tax exemption** - Under NDCC Section 57-40.3-04, any motor vehicle acquired by, or leased and in the possession of, a resident disabled veteran or a former prisoner of war who registers the vehicle with a distinctive license plate is exempt from motor vehicle excise taxes. In addition, any motor vehicle transferred without consideration to or from a person within 30 days prior to that person entering into or within 30 days after discharge or while serving in the armed forces, provided the person certifies to the director of the Department of Transportation that the transfer is made only by reason of entering into, serving in, or being discharged from the armed forces of the United States.
7. **Aircraft excise tax exemption** - Under NDCC Section 57-40.5-03(1), an aircraft acquired by a disabled veteran is exempt from aircraft excise tax.
8. **Property tax exemption** - Under NDCC Section 57-02-08(20), certain qualified disabled veterans may be eligible for property tax reductions under the homestead property tax credit, which also applies to the unremarried surviving spouse of such a deceased veteran.
9. **Income tax deductions (active duty)** - Under NDCC Section 57-38-01.2(1)(k), individuals on active duty in the armed forces of the United States or who attend periodic training meetings for drill and instruction in the National Guard or a reserve unit are entitled to an annual reduction of up to $1,000 against income for income tax purposes. Persons serving in the armed forces who are stationed outside the United States for not less than 30 days are allowed an additional reduction of up to $300 per month for each month while on active duty at such location. (These

deductions apply on the state long-form income tax return.)

10. **Income tax deduction (mobilized armed service members)** - Under NDCC Section 57-38-01.2(1)(u), payments received for services performed when mobilized under Title 10 of the United States Code as a member of the National Guard or reserve member of the armed forces of the United States may be excluded from income for income tax purposes. An individual claiming this reduction may not also claim the reduction for the time the individual was under federal orders for active duty and may not claim a reduction on income already excluded from federal taxation due to service in a combat or hazardous duty zone.
11. **Income tax deductions (retirement)** - Under NDCC Section 57-38-01.2(1)(l), military retirement pay of up to $5,000 per year may be deducted from income for income tax purposes. (This applies only on the long-form income tax return.)
12. **Loans to veterans** - The veterans' aid fund is a revolving fund established under NDCC Chapter 37-14. This fund is to be used to make loans to any veteran and surviving spouse of a veteran. Under Section 37-14-06, these funds are limited to $5,000 per veteran or survivor. Attached as Appendix B is a schedule of loans by county approved and disapproved by the Department of Veterans Affairs during 2005 and 2006.
13. **Veterans' postwar trust fund** - The veterans' postwar trust fund is a permanent trust fund consisting of money transferred or credited to the fund by law or appropriation of the Legislative Assembly. This fund is established under NDCC Section 37-14-14 and the fund's income is to be used by the Administrative Committee on Veterans Affairs as a continuing appropriation for programs authorized by law. An analysis of the veterans' postwar trust fund is attached as Appendix C.
14. **Hardship assistance program** - The purpose of this grant program is to provide assistance to veterans, their spouses, or unremarried surviving spouses of eligible veterans. The individual must have a need for dental work, eyeglasses, hearing aids, or transportation for medical treatment; be a citizen of North Dakota for at least one year; and meet income guidelines. Attached as Appendix D is a schedule of the number of grants and amounts approved and number of grants disapproved by the Department of Veterans Affairs during 2005 and 2006. A total of 369 grants were approved totaling $176,750. The funding for the grants is from the veterans' postwar trust fund.
15. **Transportation system** - The veterans' transportation system is designed to aid veterans by providing free transportation to a veterans' hospital. Currently, there are five vans on scheduled routes bringing veterans to Fargo, North Dakota, or Miles City, Montana. The cost of the program is underwritten in part by the veterans' postwar trust fund.
16. **Veterans Cemetery** - The Veterans Cemetery is located on a 35-acre tract of land in the southwest corner of Fort Abraham Lincoln State Park. Pursuant to NDCC Section 37-03-14, the Adjutant General may accept and expend private and federal funds to establish and operate the Veterans Cemetery. The Adjutant General is to provide lots in the Veterans Cemetery for the interment of deceased members of the National Guard, other reserve components, and veterans, and their spouses, minor children, and unmarried adult children who were physically or mentally disabled and incapable of self-support.

VETERANS HOME

North Dakota Century Code Section 37-15-01 provides that the Veterans Home is to be located in Lisbon, North Dakota. Veterans' homes were established by an Act of Congress in 1887. Certain lands were set aside in a number of states and territories for the establishment and maintenance of homes for veteran Union soldiers. The Veterans Home was established in 1891 and has been in operation since 1893. The Veterans Home is owned and operated by the state of North Dakota and is currently providing care to North Dakota veterans and spouses.

The total 2007-09 biennium appropriation for the Veterans Home is $34,039,818, of which $4,125,266 is from the general fund and $29,914,552 is other funds. The total 2005-07 biennium appropriation for the Veterans Home was $11,303,925, of which $4,329,092 was from the general fund and $6,974,833 was from other funds. The 2007-09 legislative appropriation includes funding for 92.37 full-time equivalent (FTE) positions, an increase of 1.4 FTE positions from the executive recommendation and the 2005-07 authorized level of 90.97. The legislative Assembly added 1.4 FTE night watchman positions for the Veterans Home.

The total 2007-09 biennium appropriation includes $21,098,656; of which $6,483,226 is from the permanent oil tax trust fund, $12,040,278 is from federal funds, and $2,575,152 is from revenue bonds for construction of a new 150-bed Veterans Home. The funding from the permanent oil tax trust fund is to be used as a match (35 percent state share) for federal funding (65 percent federal share) to build a new Veterans Home facility and demolish the existing facility. The appropriation from the permanent oil tax trust fund is only to be made available upon the Veterans Home obtaining approval for a federal state

home construction grant from the federal Department of Veterans Affairs. The federal match is limited to the cost of a 121-bed facility, which is less than the current 150-bed capacity authorized for the Veterans Home. The 2007 Legislative Assembly authorized $2,575,152 from the issuance of revenue bonds for project costs associated with expanding the Veterans Home construction project from the 121-bed capacity to a 150-bed facility. The Veterans Home is to use non-general fund revenue sources for the retirement of these bonds.

The Legislative Assembly provided an exception to the moratorium on expansion of long-term care bed capacity in order for the Veterans Home to convert 14 basic care beds to skilled care beds. The new Veterans Home facility will be authorized for 52 skilled care beds and 98 basic care beds.

VETERANS' SERVICES

Department of Veterans Affairs

North Dakota Century Code Chapter 37-18 provides for the North Dakota Department of Veterans Affairs. The department was established by the 1945 Legislative Assembly. Prior to that it had been known as the Office of the Veterans' Service Commissioner which was established in 1927. The main office of the Department of Veterans Affairs is located at 1411 32nd Street South in Fargo. There is a branch office located at 1929 North Washington Street in Bismarck.

The mission of the Department of Veterans Affairs is to ensure that every veteran in the state of North Dakota who has served in the military receives every benefit to which he or she may be entitled from the federal Department of Veterans Affairs, allied agencies, and from the state of North Dakota. According to the Department of Veterans Affairs, there are approximately 54,000 veterans in North Dakota. The department has the responsibility of training county and tribal veterans' service officers. The department also provides the following services:

- Disseminates current information to the state veteran population through the use of news media, county veterans' service officers, and veterans' organizations;
- Assists veterans with the completion of claims for entitlement from the United States Department of Veterans Affairs;
- Counsels veterans on employment, educational programs, disability benefits, and other related veterans' activities;
- Conducts training seminars for veterans' service officers; and
- Administers the veterans' aid loan program, the transportation program, and hardship grant program.

The 2007-09 biennium appropriation for the Department of Veterans Affairs is $866,772 from the general fund, an increase of $90,390 from the 2005-07 biennium general fund appropriation of $776,382. The Department of Veterans Affairs is authorized seven FTE positions for the 2007-09 biennium, an increase of one FTE position from the 2005-07 authorized level of six FTE positions. The Legislative Assembly authorized one FTE women veterans' coordinator position.

County Veterans' Service Officers

North Dakota Century Code Section 37-14-18 provides that the board of county commissioners of each county may appoint, employ, and pay, on a full-time or part-time basis, an officer to be known as a county veterans' service officer. Such appointment must be made with the prior advice of the commissioner of the Department of Veterans Affairs and in accordance with veterans' preference. It is the duty of the county veterans' service officer to become acquainted with the laws, both state and federal, enacted to assist returning members of the armed forces in the presentation, proof, and establishment of such claims, privileges, and rights as they have. It also is the duty of the county veterans' service officer, under the supervision of the commissioner of the Department of Veterans Affairs, to actively cooperate with and to coordinate the activities of the state and federal agencies within the county which the officer serves to facilitate their operation and ensure promptness in the solution of the problems concerned with the reestablishment of returning servicemen and servicewomen in civilian pursuits. Attached as Appendix E is a listing of representatives of the Department of Veterans Affairs, the county veterans' service officers, and the tribal veterans' service officers.

North Dakota Century Code Sections 57-15-06.4 and 57-15-06.7(18) provide that a county may annually levy a tax to provide for the payment of the salary, traveling, and office expenses of the county veterans' service officer. The county mill levy rate may not exceed two mills.

The county veterans' service officer is to be paid a monthly salary for full-time or part-time work as the board of county commissioners deems commensurate with the needs of the situation. Attached as Appendix F is a summary of 2006 annual county veterans' service budgets, including the veteran population per county, county veterans' services mill rates, revenues generated per mill, and total United States Department of Veterans Affairs benefits issued.

Tribal veterans' service officers are appointed and employed by each respective tribe. The tribal veterans' service officers are invited to participate in the training seminars offered by the Department of Veterans Affairs each spring and fall.

Administrative Committee on Veterans Affairs

The Administrative Committee on Veterans Affairs is responsible for the organization, policy, and general administration of all veterans' affairs in North Dakota.

Pursuant to NDCC Section 37-18.1, the Administrative Committee on Veterans Affairs is comprised of 15 voting members, each appointed by the Governor, representing the five major veteran organizations in the state. Each year, the Governor is to appoint one member from a list of two names submitted by the following veteran organizations--American Legion, Veterans of Foreign Wars, Disabled American Veterans, Am Vets, and Vietnam Veterans of America. The committee is also comprised of three nonvoting members who are to serve in an advisory capacity--the Adjutant General, the center director of the federal Department of Veterans Affairs, and the executive director of Job Service North Dakota. The Governor appoints a chairman and secretary of the Administrative Committee on Veterans Affairs.

The members of the Administrative Committee on Veterans Affairs may not receive compensation for the performance of their official duties. Voting members may be reimbursed for travel expenses and meals and lodging expenses in connection with their official duties at the same rate and in the same manner as elected officials and employees of the state. The payments for expenses are to be paid by the Department of Veterans Affairs and the Veterans Home to each of their respective subcommittee members incurring the expenses.

The Department of Veterans Affairs is governed by a subcommittee appointed by the chairman and secretary of the Administrative Committee. Once appointed, a subcommittee member may continue to serve as long as he or she is a member of the Administrative Committee. Each nominating organization for the Administrative Committee must have at least one member serving on the subcommittee. The subcommittee is to elect by majority vote of the members a chairman to preside for the term of one year.

The Administrative Committee on Veterans Affairs is responsible for appointing the commissioner of the Department of Veterans Affairs. The commissioner must be a resident veteran of North Dakota. The commissioner also serves as executive secretary of the subcommittee on veterans affairs. The commissioner does not have a vote in the affairs of the subcommittee.

A seven-member governing board is responsible for the administration of the Veterans Home. The governing board is appointed by the chairman and secretary of the Administrative Committee, subject to approval by the full committee. The governing board members may be from within or outside the Administrative Committee. A member of the subcommittee overseeing the Department of Veterans Affairs may not also serve on the governing board. The governing board selects the administrator of the Veterans Home, who serves at the pleasure of the governing board.

North Dakota Century Code Section 37-18.1-03 provides that the governing board of the Veterans Home and the subcommittee governing the Department of Veterans Affairs is to annually conduct a performance evaluation of the administrator and commissioner, respectively. The governing board and the subcommittee are to create and implement a strategic plan for the Veterans Home and Department of Veterans Affairs, respectively. The governing board and the subcommittee are to annually provide a report to the Administrative Committee as to the status of the strategic plan. After receiving the report, the Administrative Committee is to submit the report to the Governor.

Federal Department of Veterans Affairs.

Veterans of the United States armed forces may be eligible for a broad range of programs and services provided by the federal Department of Veterans Affairs. Total federal Veterans Administration funding distributed to North Dakota veterans for 2005 totaled $155,741,000. Benefits offered by the federal Department of Veterans Affairs include:

- Compensation payments to veterans disabled as a result of service.
- Pension.
- Health care services.
- Vocational rehabilitation and employment to veterans with service-connected disabilities.
- Education and training.
- Home loan services.
- Life insurance.
- Burial.
- Dependency and indemnity compensation.

2007 LEGISLATION RELATING TO VETERANS' PROGRAMS

House Bill No. 1291 - This bill amended NDCC Section 37-28-04 to increase the payment to the beneficiary of a veteran who died in active service from $2,500 to $5,000.

Senate Bill No. 2418 - This bill provides a contingent appropriation for the purpose of constructing a new Veterans Home facility in Lisbon. Due to life safety issues, the existing Veterans Home facility will be demolished after the completion of the new facility.

Senate Bill No. 2115 - This bill modified the tuition and enlistment compensation program to allow any qualifying member of the National Guard to enroll in any accredited postsecondary institution, instead of as previously allowed to any private or nonprofit college or university granting a baccalaureate degree, if the institution agrees to waive 25 percent of the tuition, instead of as previously allowed the difference between the tuition grant and the tuition charged. In addition, the bill modifies the veterans' adjusted compensation (bonus) program for veterans to continue the program through the 2007-09 biennium and to include nonresident members of the North Dakota National Guard.

Senate Bill No. 2142 - This bill provides that a veteran or surviving spouse of a veteran may receive

additional loans from the veterans' aid fund provided that the total value of the loans does not exceed $5,000. Previously, additional loans were not issued until the previous loan was repaid.

Senate Bill No. 2353 - This bill clarifies the veterans' preference in employment and requires backpay for the time an individual was entitled to employment to the time the individual was employed as a result of a preference hearing.

PROPOSED STUDY PLAN

The following is a study plan the committee may want to consider in its study of veterans' services:

1. Receive testimony from representatives of the Department of Veterans Affairs, the Administrative Committee on Veterans Affairs, county veterans' service officers, and veterans regarding the delivery and funding of veterans' services in North Dakota.
2. Receive information from other interested organizations, entities, and individuals regarding the study.
3. Conduct a budget tour of the Veterans Home.
4. Develop recommendations and related bill drafts.
5. Prepare the final report for submission to the Legislative Council.

ATTACH:6