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FISCAL IMPACT STATEMENT

LS 6906

BILL NUMBER: HB 1221

NOTE PREPARED: Dec 30, 2005

BILL AMENDED:

SUBJECT: Veterans Affairs Trust.

FIRST AUTHOR: Rep. Reske

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a \$150,000 death benefit for a member of the National Guard or a reserve component who dies while on military duty, beginning September 11, 2001. The bill appropriates a sufficient amount from the state General Fund for the death benefit.

The bill establishes the Veterans' Affairs Trust Fund to finance certain benefits and services to eligible veterans and to fund veteran-related projects authorized by the Veterans' Affairs Commission. It also funds the Trust Fund by: (1) taxpayer designation of all or part of a state income tax refund; (2) a quarterly allocation of 0.5% of the surplus revenue in the Lottery's Administrative Trust Fund; (3) donations; and (4) appropriations or other amounts provided for the fund. The bill provides that benefits available to eligible veterans from the fund include: (1) tuition reimbursement; (2) temporary emergency aid grants for subsistence and health care; (3) personal loans; (4) an assistance program for veterans in need of services; (5) retraining grants; (6) allocations to the State Armory Board for use by the Military Department of the Indiana Ceremonial Unit in rendering appropriate military honors at state functions and veteran funeral services; (7) grants to veterans associations, veterans organizations, and memorial corporations; and (8) grants to county service officers to improve services to veterans.

The bill also requires the Department of Veterans' Affairs to establish a program to reimburse a Medal of Honor awardee who is a resident of Indiana for participating in patriotic and other official events. It also appropriates a sufficient amount from the state General Fund to reimburse Medal of Honor awardees.

Effective Date: July 1, 2006.

Explanation of State Expenditures: *Veterans' Affairs Trust Fund:* This bill creates the Veterans' Affairs Trust Fund for the purpose of (1) financing the education, economic assistance, and other benefits and services that the state provides to veterans, and (2) funding various veteran-related projects.

The Director of Veterans' Affairs is responsible for administering the fund. The fund consists of the following: (1) refunds, (2) allocations, (3) appropriations made by the General Assembly, (4) donations, (5) interest, (6) money transferred to the Fund from other funds, and (7) money from any other source. The expenses of administering the Fund shall be paid from the Fund.

The Fund provides (1) tuition reimbursement, (2) temporary emergency aid grants for subsistence and health care, (3) personal loans, (4) an assistance program for veterans in need of services, (5) retraining grants, (6) allocations to the State Armory Board, (7) grants to veterans' associations, veterans' organizations, and memorial corporations, and (8) grants to county service officers to improve services to veterans. Expenditures from the Fund will depend in large part on the rules adopted by the Commission on Veterans' Affairs.

Increased Administrative Duties: The bill requires the Director of Veterans' Affairs to (a) administer the Veterans' Affairs Trust Fund, and (b) establish a program and set guidelines under which a Medal of Honor awardee who is a resident of Indiana may receive compensation when called upon to attend and participate in official ceremonies within Indiana. The Director would likely experience an increase in administrative duties as a result.

Adoption of Rules by the Commission on Veterans' Affairs: The bill requires the Commission on Veterans' Affairs to adopt rules pertaining to the administration of the Veterans' Affairs Trust Fund. Any expenditures associated with the adoption of rules can likely be covered within existing levels of appropriations.

State Armory Board Funds: The bill allows the Commission on Veterans' Affairs to allocate money in the Veterans' Affairs Trust Fund to the State Armory Board for use by the Military Department of Indiana Ceremonial Unit in rendering appropriate military honors at state functions and funeral services for those who served in the armed forces.

Veterans' Affairs Check-Off: The bill allows a person to designate on the individual's annual state Income Tax return that all or part of a refund to which the individual is entitled be paid to the Veterans' Affairs Trust Fund. The Department of State Revenue (DOR) would incur some administrative expenses relating to the revision of tax forms, instructions, and computer programs to incorporate the tax refund check-off for the Veterans' Affairs Trust Fund. The bill also requires the DOR to include a written description of the purposes and uses of the Fund in the instructions for the individual income tax return. The check-off would begin in tax year 2007. The expenses relating to these changes presumably could be covered given the DOR's existing level of budget and resources.

Lottery Profits Transfer: The bill requires the Lottery Commission to make a quarterly transfer of 0.5% of the surplus Lottery revenue in the Administrative Trust Fund (an estimated \$900,000 annually) to the Veterans' Affairs Trust Fund beginning in FY 2007. The quarterly transfer to the Fund would be made before transfers required under current statute to the Teachers' Retirement Fund and the Pension Relief Fund.

This transfer of surplus Lottery revenue will also have a secondary impact, creating a shift of \$900,000 annually in Riverboat Wagering Tax revenue from the Property Tax Replacement Fund (PTRF) to the Build Indiana Fund (BIF). This would occur as the reduction of surplus Lottery revenue distributed to the BIF would

be replaced (under the current funding formula for BIF) with Riverboat Wagering Tax revenue. The table below presents projected distributions of surplus Lottery and Gaming revenue in FY 2007 given the Lottery transfer proposed in the bill.

Surplus Lottery and Gaming Revenue & Distributions (Millions)*				
Revenues & Distributions	FY 2004 (Actual)	FY 2005 (Actual)	FY 2006 (Projected)	FY 2007 (Projected)
Beginning Balance in BIF**	(0.9)	6.3	10.5	0.0
Surplus Lottery Revenue in Adm. Trust Fund	198.5	189.7	179.6	179.6
TRF Transfer	(30.0)	(30.0)	(30.0)	(30.0)
PRF Transfer	(30.0)	(30.0)	(30.0)	(30.0)
Surplus Lottery Revenue to BIF	138.5	129.7	119.6	119.6
Surplus Gaming Revenue to BIF	111.4	120.2	130.4	130.4
Interest	0.0	0.0	0.0	0.0
Transfers to BIF^	0.0	0.2	0.0	0.0
Total Resources in BIF^^	249.1	256.5	260.5	250.0
MVETRA Transfer	(236.2)	(236.2)	(236.2)	(236.2)
Total Transfers	(236.2)	(236.2)	(236.2)	
Amount Available for State & Local Capital Projects	12.9	20.3	24.3	13.8
Amount Allotted to State & Local Capital Projects*^	6.6	9.8		

*Updated 10/17/05.

**FY 2007 beginning balance assumes FY 2006 amount available for capital projects is expended.

^FY 2005 amount from loan repayments.

^^FY 2004 and FY 2005 individual resources amounts do not sum to the total resources amount due to rounding.

*^Actual totals in FY 2004 and FY 2005.

Background Information on Lottery Profits Transfer: Under current statute, surplus Lottery revenue in the Lottery Commission's Administrative Trust Fund is first transferred to the Teachers' Retirement Fund (TRF) and the Pension Relief Fund (PRF). Once these transfers are made, the remaining surplus Lottery revenue is distributed to the Build Indiana Fund (BIF). Assuming surplus Lottery revenue will total \$179.6 M in FY 2007, the 0.5% transfer to the Veterans' Affairs Trust Fund is estimated to total \$900,000, before existing transfers to TRF and PRF. However, this transfer would reduce the projected distribution to BIF by \$900,000, from \$119.6 M to about \$118.8 M.

Current statute also requires distribution of revenue from the Riverboat Wagering Tax, the Pari-mutuel Wagering Tax, the Pari-mutuel Satellite Facility Tax, the Charity Gaming Excise Tax, and the Charity Gaming License Fee to BIF. The total annual distribution to BIF from Lottery, gaming, and pari-mutuel sources is

effectively capped at \$250 M. This is because the annual distribution of Riverboat Wagering Tax revenue is limited to an amount equal to \$250 M minus the sum of the surplus Lottery revenue and revenue from other gaming and pari-mutuel taxes distributed to BIF during that fiscal year. The required amount of Riverboat Wagering Tax is transferred to BIF from the Property Tax Replacement Fund at the end of the fiscal year. Under this formula, a \$900,000 reduction in the annual distribution of surplus Lottery revenue to BIF will result in a \$900,000 increase in the transfer of Riverboat Wagering Tax revenue to BIF from the PTRF (assuming the projected totals for other gaming and pari-mutuel taxes).

Special Death Benefit: The bill requires \$150,000 be paid to the relative of a member of the Indiana National Guard or a reserve component of the Indiana National Guard or armed forces of the United States, who is a resident of Indiana. The person must have died after September 10, 2001, while on a day of military duty.

Data is not available which indicates a precise number of Indiana National Guard and reservists who have died since September 10, 2001. However, the Indiana Department of Veterans' Affairs reports that approximately 14 National Guard and reservists are known to have died since September 10, 2001, in either Operation Iraqi Freedom or Operation Enduring Freedom (the military response to the September 11, 2001, World Trade Center attacks). Increased expenditures for the state would be a minimum of \$2.1 M (\$150,000 x 14). However, it is important to note that expenditures for the state may likely be higher in that the actual number of persons falling under the provisions of this bill may be higher than 14. In addition, the number of persons who would die in the future while on military duty is unknown.

The bill requires an amount be appropriated to the Adjutant General from the state General Fund to provide special death benefit payments. The amount of the appropriation is not specified. The bill requires the Adjutant General to adopt rules to administer the special death benefit payments. Any expenditures for the adoption of rules are anticipated to be within the levels of existing appropriations.

Medal of Honor Awardee Compensation: The bill appropriates money from the state General Fund to establish a program under which a Medal of Honor awardee who is a resident of Indiana may receive compensation when called upon to attend and participate in official ceremonies within Indiana. The bill does not specify an appropriation amount.

Explanation of State Revenues: *Veterans' Affairs Check-Off:* The bill establishes a check-off for income tax refunds to be designated to the Veterans' Affairs Trust Fund. The check-off applies beginning in tax year 2007. Thus, the Fund could potentially receive tax refund money for the first time in FY 2008. The number of taxpayers with refunds that may select the Veterans' Affairs Trust Fund check-off and the amounts such taxpayers may direct to the check-off is indeterminable. However, it could potentially reduce the amount that would otherwise be designated by taxpayers for the Indiana Nongame and Endangered Wildlife Fund. This is the only income tax refund check-off that exists under current statute. The check-off for the Nongame and Endangered Wildlife Fund generated \$363,478 from 29,069 filers in tax year 2003. This is an average of \$12.50 per filer selecting the check-off.

Explanation of Local Expenditures: *County Service Officers:* The bill allows a county to annually apply for a grant to improve services for veterans. If a county obtains a grant, the county service officer may experience an increase in administrative duties.

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue; Department of Veteran's Affairs; Bureau of Motor Vehicles.

Local Agencies Affected: County Service Officers.

Information Sources: Jim Kaiser, Department of Veterans' Affairs; OFMA Income Tax database, 2002; Bob Lain, State Budget Agency, (317) 232-3471.

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