

2013 HOUSE GOVERNMENT AND VETERANS AFFAIRS

HB 1439

2013 HOUSE STANDING COMMITTEE MINUTES

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

HB 1439
January 31, 2013
Job 18089

Conference Committee



Explanation or reason for introduction of bill/resolution:

To provide for appropriations to the department of veterans' affairs for the purchase of transport vans, stand down events and legal services to veterans, and to provide for a transfer.

Minutes:

Testimony 1

Chairman Jim Kasper opened the hearing on HB 1439.

Rep. Thoreson appeared as a sponsor of this bill (03:35).

Chairman Jim Kasper: If this bill passes in the committee, will it go to appropriations?

Rep. Thoreson: Yes. It has a direct effect on the fiscal impact of the state.

Lonnie Wangen, North Dakota Veterans' Affairs Commissioner (05:38-19:42) appeared in support of HB 1439 and gave background information on the Postwar Trust Fund and where the funds are spent. There is currently \$4 million in the Postwar Trust Fund. We are expecting to make approximately \$200,000 in interest earnings. The requested \$2 million would be added to the principle and would stay in the account. We are only allowed to use the eligible interest earnings.

Chairman Jim Kasper: Would you like to spend around \$400,000 per biennium from that account?

Lonnie Wangen: In the past, that is what the account could generate. Now we won't generate that much in interest earnings. Half of our interest earnings are going towards growing the fund. With the cost of inflation, we are hoping to have the same buying power.

Chairman Jim Kasper: As an alternative to a \$2 million appropriation to increase interest earnings, could you substitute a \$400,000 direct appropriation?

Lonnie Wangen: That is a possible alternative.

Rep. Gary Paur: Do you currently have \$200,000?

Lonnie Wangen: We were given \$210,000 of general fund money in lieu of the Postwar Trust Fund. Our expectation is to run out of funding in March 2013. During the last legislative session, Chairman Grande felt the Postwar Trust Fund interest earnings should not be spent on purchasing vans and the stand-down events, but would be better spent on things like medical needs, denture work, hearing aids, and eyeglasses. We have currently purchased two vans and ordered two more.

Kelly Schmidt, State Treasurer provided written testimony (Testimony 1) and gave background information to the Postwar Trust Fund (19:52-28:07).

Rep. Gail Mooney: Is it valued at \$198,000?

Kelly Schmidt: Yes. These are the actual earnings that the fund has raised.

Vice Chair Randy Boehning: At what point do funds from the interest earnings get reinvested in the account? Is there a statute?

Kelly Schmidt: Yes, it's called the Uniform Principle and Income Act.

Vice Chair Randy Boehning: Is the fund going to keep growing or is there a cap?

Kelly Schmidt: The fund will always keep growing.

Gary Maddock, Secretary of the North Dakota Veterans Coordinating Council supported the bill on behalf of the entire council.

No opposition.

Chairman Jim Kasper closed the hearing.

2013 HOUSE STANDING COMMITTEE MINUTES

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

HB 1439
February 7, 2013
18565

Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

To provide for appropriations to the department of veterans' affairs for the purchase of transport vans, stand down events and legal services to veterans, and to provide for a transfer.

Minutes:

You may make reference to "attached testimony."

Chairman Jim Kasper opened the session on HB 1439. Kelly Schmidt's testimony stated that the veterans were spending down unrealized gains from the Postwar Trust Fund. It is now down at around \$4 million and this bill is asking us to get that fund up to \$6 million with the \$2 million appropriation. An amendment was proposed **Attachment 1**. This would appropriate \$100,000 to spend any way they wish and deposit an additional \$500,000 into the principal.

Rep. Ben Koppelman made a motion to adopt a proposed amendment.

Rep. Scott Louser seconded the motion.

Rep. Marie Strinden Since they spent the principal down, have they put in statue that they can't do that anymore?

Chairman Jim Kasper Yes, Treasurer Schmidt was saying that the dollars are now being managed according to the statue. They will be able to give them about \$196,000 in July or August this year.

Rep. Scott Louser Is that \$6 million a target?

Chairman Jim Kasper I think at one time that fund was around the \$6 million number.

Rep. Jason Dockter They wanted \$2 million more because of the low interest rates.

Rep. Steven Zaiser Is this bill the one where there was a change in terms of the makeup of the veterans' board and authorization?

Chairman Jim Kasper That was last session.

A voice vote was taken to adopt an amendment. The motion carried.

Rep. Jason Dockter made a motion for a Do Pass as amended and rereferred to appropriations.

Rep. Marie Strinden seconded the motion.

It was pointed out that it did not have to be rereferred and Rep. Jason Dockter and Rep. Marie Strinden withdrew the section about rereferal.

A roll call vote was taken and resulted in a **DO PASS AS AMENDED, 13-1. Rep. Bill Amerman** is the carrier of this bill.

February 8, 2013

Handwritten: 2/8/13
C. M. C.

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1439

Page 1, line 1, after the third "for" insert "programs to serve veterans,"

Page 1, line 7, replace "\$2,000,000" with "\$500,000"

Page 1, after line 10, insert:

"SECTION 2. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the department of veterans' affairs for the purpose of providing a grant to the administrative committee on veterans' affairs for programs authorized by law to benefit and serve veterans or their dependents, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

Date: 2-7-13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1439

House Government and Veterans 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 B Koppelman Seconded By Louser

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper			Rep. Bill Amerman		
Vice Chairman Randy Boehning			Rep. Gail Mooney		
Rep. Jason Dockter			Rep. Marie Strinden		
Rep. Karen Karls			Rep. Steven Zaiser		
Rep. Ben Koppelman					
Rep. Vernon Laning					
Rep. Scott Louser					
Rep. Gary Paur					
Rep. Karen Rohr					
Rep. Vicky Steiner					

*Voice vote
to adopt
amendment
motion
carried*

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2-7-13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1439**

House Government and Veterans 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 Dochter Seconded By Strinden

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper	X		Rep. Bill Amerman	X	
Vice Chairman Randy Boehning	X		Rep. Gail Mooney	X	
Rep. Jason Dochter	X		Rep. Marie Strinden	X	
Rep. Karen Karls	X		Rep. Steven Zaiser	X	
Rep. Ben Koppelman	X				
Rep. Vernon Laning	X				
Rep. Scott Louser	X				
Rep. Gary Paur		X			
Rep. Karen Rohr	X				
Rep. Vicky Steiner	X				

Total (Yes) 13 No 1

Absent 0

Floor Assignment Amerman

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

REPORT OF STANDING COMMITTEE

HB 1439: Government and Veterans Affairs Committee (Rep. Kasper, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 1 NAYS, 0 ABSENT AND NOT VOTING). HB 1439 was placed on the Sixth order on the calendar.

Page 1, line 1, after the third "for" insert "programs to serve veterans,"

Page 1, line 7, replace "\$2,000,000" with "\$500,000"

Page 1, after line 10, insert:

"SECTION 2. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the department of veterans' affairs for the purpose of providing a grant to the administrative committee on veterans' affairs for programs authorized by law to benefit and serve veterans or their dependents, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

2013 HOUSE APPROPRIATIONS

HB 1439

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1439
2/14/13
Job 18998

Conference Committee

Committee Clerk Signature

Meredith Traubolt

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide for appropriations to the department of veterans' affairs for programs to serve veterans, the purchase of transport vans, stand down events, and legal services to veterans, and to provide for a transfer.

Minutes:

You may make reference to "attached testimony."

Rep. Jim Kasper, District 46: Introduced the bill.

02:35

Chairman Delzer: Did you ask them how much they spent last time?

Rep. Kasper: I did not.

Chairman Delzer: One of the problems with having these bills on this side when the budget is on the other side is this puts us at a disadvantage with these questions.

Sheila Sandness, Legislative Council: We put together an analysis of the veterans' post-war trust fund about a month ago. At that time, Veterans' Affairs reported they had spent \$134,881 of the \$210,000 appropriation, through November 2012.

Rep. Grande: Did they talk about how many grants they had left that had not been issued and if the money would be utilized by the end of the biennium?

Sandness: We didn't ask that question, we just asked for an accounting of expenditures.

Rep. Grande: Did we not tell them they were to utilize the money? It was specific, they had to spend it. They came in with a stack of outstanding grants that needed to be issued and they claimed they would be using all the money. There shouldn't be money left over.

Chairman Delzer: We should get an updated report from them, ASAP.

Rep. Pollert: I got information that there was \$69,000 left from 09-11 that was supposed to be used up for benefits. I think they just lately bought a van for \$50,000.

Chairman Delzer: We will have to make a decision on some of these; we may want to look at them on the second half when we have the veterans' budget in front of us.

Rep. Grande: We allocated general fund dollars for them to purchase two vans, just like this. They purchased two vans, and they are looking to replace two additional vans.

Sandness: When we asked them for the information on their spending, they indicated that, of the spending they were allowed in the 09-11 biennium, they had unexpended funds of \$59,405. They had that available to them in the 11-13 biennium, so they had that in addition to the \$210,000. Their current spending was using the \$210,000 from the general fund, and the carryover. They were also given \$50,000 for vans for the 11-13 biennium, of which they spent \$29,000. They were also given \$20,000 from the general fund for stand down events, and they hadn't had to spend any of that because they were able to get local sponsorship for the events so far.

Chairman Delzer: When we dig into this one we always find a quite few things going on. Questions? We'll have a discussion about this later. The committee continued on to the next bill.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

HB 1439
2/23/13
19413

Conference Committee

Committee Clerk Signature

Carmen Hart

Explanation or reason for introduction of bill/resolution:

Provide for appropriations to the department of veterans' affairs for the purchase of transport vans, stand down events, and legal services to veterans, and to provide for a transfer.

Minutes:

You may make reference to "attached testimony."

Chairman Delzer: Let's look at 1439.

Rep. Grande: I may have had a little to do with these bills in the past. The coordinating council over the course of the summer comes up with their list of ideas and they bring it to the ACOVA, and then the department of veterans' affairs are to move these bills forward if there is full approval from both of these two entities. Mr. Wangen was explaining to me what they were looking at, and I was told differently than what I am seeing on this sheet. Looking at the stand down and the request for money in the stand down, they didn't use the money in the past because they were fortunate enough to raise money out of the community. (Min 2:20) My issue comes when I went to Fargo's stand down. I couldn't find the veterans. I was not impressed, and they were off to the side and didn't have much about services. Mr. Wangen told me the homeless community took it over, and it was turned over to the groups that handle the needy in our communities. I am saying when we set aside money that is called a veterans' stand down that we actually see the veterans called to the stand down.

Chairman Delzer: (05:30) The money we gave them last time, does that carry forward, or do they return it to the general fund?

Sheila Sandness, LC: I think it expires. I did get an email from Lonnie after I sent you your email. He anticipates spending the entire general fund portion of that, and they had ordered two more vans that they have to pay for. He did not think they'd spend all the stand down funding.

Lori Laschkewitsch, OMB: It would be turned back if they don't spend it.

Rep. Glassheim: I had a different experience in Grand Forks. Homeless coalition ran this operation. Once a year they take over one huge floor of a church which is in a mall. The

veterans' stand down part is about one third of the room and has 20-30 agencies, some to do with veterans and some not. There are coats and job services, etc. Several told me they were glad to be recognized and were getting things they needed. Some of them homeless and that is how they tie into this.

(08:05)

Chairman Delzer: Did they say anything on the cost of vans, and how many they need?

Sandness: I don't have a lot of details on the vans. His second email indicated that they ordered two more, and they would need to pay for those this spring.

Chairman Delzer: This is what really makes this tough, because this is where we should see what is in the budget. I understand it's hard to vote against the veterans.

Rep. Brandenburg: As I look at the bill, Section 1 takes \$500,000 and transfers to the veterans' post war trust fund to increase the principal balance. This is also to build that fund back up.

Chairman Delzer: This would simply go into the principal of the post war trust fund. What we did last time is we did not allow any money into the post war trust fund. We paid them an equivalent of what the interest was, basically in the cost they normally incur on their benefits package. The problem with that was we also gave continuing appropriation on the interest. When it goes through the end of a fiscal cycle for the legislature, does that put it into the principal side or would it still be considered sitting there as interest so that they would have continuing appropriation authority for it?

Sandness: The state treasurer calculates the actual income that is available to the veterans' affairs and lets them know how much they can spend. The committee meets and decides how to spend it.

Chairman Delzer: We built the post war trust fund by \$200,000 last time. I think we built it in such a way that they have spending authority on that \$200,000.

Laschkewitsch: I believe you would need to designate that it needs to be part of principal because the income remains the income and it can be spent. I believe the treasurer has set it up to allocate it over periods of time so that when income isn't generating, when we have poor income revenue, they still can have an amount available to them each biennium.

Chairman Delzer: The 200,000 that is built, they have appropriation authority for?

Laschkewitsch: I believe as long as it is not added to the principal.

Rep. Grande: The postwar trust fund says the interest must be spent. It cannot be rolled to the principal unless there is somehow we authorize it to do so. Last time we said in committee you will be given \$210,000 plus the \$200,000 that was interest and they were supposed to spend the \$410,000 because we were trying to get them to clear the grants off the table.

Chairman Delzer: I don't think that's the way it ended up.

Sandness: Last session HB 1468 was the bill that appropriated the \$210,000. In addition, it amended the section regarding veterans' postwar trust fund, and it provided that all income earned in a biennium is appropriated to ACOVA on a continuing basis in the following biennium and not in the biennium the income is earned. They said whatever we earn in this coming biennium is going to be appropriated to you for 13-15, so for the current biennium, we are going to give you the \$210,000 to spend in the current biennium to let the fund grow and whatever it earned, not what it grew, will be available to you in 13-15.

Rep. Pollert: I'm under the impression that if there are gains, not interest on the fund, which is to be spent out, but if there are gains from the investments, the gains stay to build the principal. There were some decisions made. It went somewhere legally to find out if that was true or not. Realized gains stay in the fund to build the principal, but the interest is to be spent.

Chairman Delzer: What is appropriated to them for this biennium from what we did last time?

Sandness: In the current biennium 11-13, they are able to spend the \$210,000 general fund for benefits, \$50,000 for vans, and \$20,000 for the stand down. (15:15) However, I was told that they had funding remaining that they didn't spend in the 9-11 biennium that they were able to spend as well. For the biennium they actually have \$274,500 if you include that amount that they did not spend from 09-11.

Chairman Delzer: That's the 158 plus the carryover from 09-11?

Sandness: No, the 158 is what has accumulated in income in the current biennium that will be available in 13-15.

Chairman Delzer: That's what I'm talking about.

Sandness: The carryover is available to them.

Rep. Sanford: What has happened to the principal?

Chairman Delzer: It has 4453 in it and 4258 a year ago. If you take the 158 off of the 4450 it would be around 4300. If there is 76,000 in carryover, I think it is around 42M. It was being spent when it should not have been. The issue to me with this bill before us is I don't know if we need to give them any operating money at least until we see the veterans' bill. We do have the question of do we want to put \$200,000 into the principal and say we will build that up over a number of years to get that back up there.

(18:40)

Rep. Brandenburg: If you think you're confused right now, they are too. If I understand it right, they have about \$200,000 to spend. They want to see the fund built back up. They don't care what happened in the past. They are not going to live off of \$60,000 in interest.

Chairman Delzer: That was before, it was 158 this time.

Rep. Brandenburg: They have been spending kind of on track around \$200,000. It looks like they have spending money, but they would like to see money back into that fund. I would make a motion for \$250,000 to go into the postwar trust fund understanding that they have the ability of going \$274,000 available at this point.

Rep. Wieland seconded the motion.

Chairman Delzer: The motion is to change the \$500,000 to \$250,000 and delete everything from Line 11 on, Sections 2, 3, 4 and 5. (min 22:00) The \$250,000 is to go into the principal in Section 1 of the bill and delete the rest of the bill.

Rep. Pollert: If we get the VA budget in the Human Resources division, you want us to look at that \$50,000 and the \$20,000 for spend down?

Chairman Delzer: Look at the whole budget. If our numbers are right, they have a little over \$200,000 to do everything.

(23:10)

Rep. Skarphol: Are these categories typically looked at?

Chairman Delzer: They were when I was there. All of this comes before in the veterans' administration budget as well.

Rep. Skarphol: That's what's confusing to me. We have a policy appropriations bill here and then we have the budget over there.

Chairman Delzer: I think this was a case where ACOVA just wanted to bring these forward. I know they have bills on the other side over and above their budget as well.

Rep. Grande: They came out with 18 bills and spread them out all over. I want to ask for clarification on the vans requested.

Sandness: I'm not sure. They sent me just a spreadsheet indicating \$29,000 had been used out of the \$50,000. I can't tell you for sure if that was for one or more vans. They did say in a subsequent e-mail they had ordered two more vans and will need to pay for those this spring.

Chairman Delzer: I think one of the issues we have here is the discussion of whether or not we want to start building the postwar trust fund back up for them. We can do that as a policy of this body without having the knowledge of the whole veterans' affairs budget. The rest of this is all part of the veterans' affairs budget and can be looked at that time.

Rep. Grande: I know those vans cost around \$26,000 each. My concern is that they don't have money in the vans issuance for two more vans. We specifically told them because they requested two vans to order two vans and get two vans. The reason they were running into some issues on this postwar trust fund portion was because in the past they

were purchasing vans out of that fund, and we didn't want them to have to do that anymore. I want to know how they spent this money. It appears to me the only place they have money to spend out of it is postwar trust fund again to pay for the vans that they ordered.

(27:30)

Rep. Skarphol: Do we have any idea how many vans they own?

Sandness: I do not know.

Rep. Skarphol: When you do that budget, Rep. Pollert, would you find out how many vans?

Rep. Pollert: I'm making notes so I know what we need to be going through.

Chairman Delzer: He repeated the motion to amend.

A voice vote was taken and motion carried.

Rep. Brandenburg made a motion for a Do Pass as amended.

Rep. Sanford seconded.

A roll call vote was taken and resulted in **DO PASS AS AMENDED, 21-0, 1 ABSENT.**
Rep. Brandenburg is the carrier.

13.0596.02001
Title.03000

Prepared by the Legislative Council staff for
House Appropriations Committee
February 23, 2013

VR
2/25/13

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1439

Page 1, line 1, remove "for appropriations to the department of veterans' affairs for"

Page 1, remove line 2

Page 1, line 3, replace "services to veterans, and to provide for a transfer" with "an appropriation for a transfer from the general fund to the veterans' postwar trust fund"

Page 1, line 7, replace "\$500,000" with "\$250,000"

Page 1, remove lines 11 through 24

Page 2, remove lines 1 through 10

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment reduces the transfer from the general fund to the veterans' postwar trust fund from \$500,000 to \$250,000 and removes Sections 2 through 5 which provide appropriations for a grant to the administrative committee on veterans' affairs, for the purchase of veterans' transport vans, for the coordination of "stand down" events, and for legal services for veterans' preference appeals.

Date: 2/23/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1439

House 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 Rep. Brandenburg Seconded By Rep. Wieland

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

section 1
go from \$500,000 to \$250,000 to go into postwar trust fund as principal

delete sections 2-5

voice vote carrier

Date: 2/23/13
Roll Call Vote #: 2

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1439

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.0596.02001

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

Motion Made By Rep. Brandenburg Seconded By Rep. Sanford

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson					
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 21 No 0

Absent 1

Floor Assignment Rep. Brandenburg

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

REPORT OF STANDING COMMITTEE

HB 1439, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (21 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Engrossed HB 1439 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "for appropriations to the department of veterans' affairs for"

Page 1, remove line 2

Page 1, line 3, replace "services to veterans, and to provide for a transfer" with "an appropriation for a transfer from the general fund to the veterans' postwar trust fund"

Page 1, line 7, replace "\$500,000" with "\$250,000"

Page 1, remove lines 11 through 24

Page 2, remove lines 1 through 10

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment reduces the transfer from the general fund to the veterans' postwar trust fund from \$500,000 to \$250,000 and removes Sections 2 through 5 which provide appropriations for a grant to the administrative committee on veterans' affairs, for the purchase of veterans' transport vans, for the coordination of "stand down" events, and for legal services for veterans' preference appeals.

2013 SENATE GOVERNMENT AND VETERANS AFFAIRS

HB 1439

2013 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veterans Affairs Committee
Missouri River Room, State Capitol

HB 1439
03/14/2013
Job Number 19951

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for a transfer from the general fund to the veterans' post war trust fund.

Minutes:

Chairman Dever: Opened the hearing on HB 1439.

Lonnie Wangen, Commissioner of Veteran's Affairs: See attachment #1 for testimony in support of the bill and he explained the bill due to the fact that prime sponsor was not present for the hearing.

(9:45)Chairman Dever: Your budget was in the Senate to start with, correct?

Lonnie Wangen: It wasn't moved from the Senate, it was moved from the House. They pulled this out and said that the money for the vans, the stand-downs, and the veteran's preference they felt should be in our budget. That it should not be post-war trust fund. That is why it was pulled out of here.

Chairman Dever: Are you confident that is going to go through?

Lonnie Wangen: I am not confident that it is going to go through. That is why I am saying if you want to put it back in here that would be fine.

Chairman Dever: What was the dollar amount for this section in original version?

Lonnie Wangen: The original version was \$2 million in Section 1 to build the post war trust fund, Section 2 gave us \$50,000 for the van program, Section 3 gave us \$20,000 for stand

down events and Section 4 gave us \$10,000 for the veteran's preference. Those sections were pulled out and in the House GVA committee, they cut the \$2 million down to \$500,000 for the post war trust fund, and \$200,000 would go to the general fund for us to use during this next biennium to help cover all these programs with the idea that we would come back the next session and try to do another \$500,000. When it got to the House appropriations, they cut it in half to \$250,000. So, we support this bill but with the amendment to bring that back up to \$2 million we asked for so that the fund can grow for the future. As you have heard, the Vietnam veterans are not going away, and unfortunately in Iraq and Afghanistan we are dealing with the burn pits and the effects we are seeing from that. We want to make sure we have a post war trust fund to support those that need it in the future. This war has been going on for over 10 years and when it is over and we will still need to take care of the veterans. We still have two dependents that we take care of from the Spanish/American War. When the VA takes on a veteran to take care of them, it is not just for that veteran, it is for those dependents that are affected such as with Agent Orange. We want to make sure North Dakota is ready to take care of their veterans in the future.

(13:52) Senator Marcellais: You mentioned homeless veterans - do you know how many we have in North Dakota?

Lonnie Wangen: In North Dakota we were just over 200 in our homeless shelters and that is only the ones we know about. There are those that have not gone to a shelter or a center to be counted.

Senator Marcellais: I believe there is a goal of having no homeless veterans in 5 years.

Lonnie Wangen: Yes we are trying to accomplish that.

(15:20) John Jacobsen, North Dakota Veterans Coordinating Council: See Attachment #2 for testimony in support of the bill. (John did not speak from the podium)

(15:21) Kelly Schmidt, State Treasurer: See Attachment #3 for testimony in neutral position on the bill.

(17:55) Chairman Dever: Last time we allocated \$210,000 and the earnings this biennium have been \$204,000?

Kelly Schmidt: That is correct.

Chairman Dever: So absent this bill that would be the amount going forward. It would be the amount going forward anyway if we add to the fund, then that would be reflected in the following biennium.

Kelly Schmidt: That would be reflected in the following biennium. What is earned this biennium will be expended on July 1 or as soon as the final calculations are made for June 30.

Chairman Dever: Closed hearing on HB 1439.

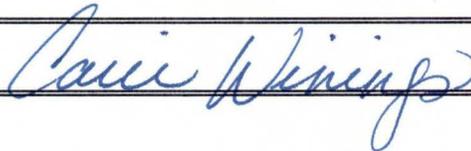
2013 SENATE STANDING COMMITTEE MINUTES

Senate Government and Veterans Affairs Committee
Missouri River Room, State Capitol

HB 1439-2
03/21/2013
Job Number 20337

Conference Committee

Committee Clerk Signature



Minutes:

Chairman Dever: Opened HB 1439 for committee discussion. The veteran's post war trust fund, established in the constitution, made the necessary stipulations to qualify even though it is a gift to residents of the state.

Vice Chairman Berry: If this increases the principle, is the goal to use the interest generated and not touch principle?

Chairman Dever: That is correct and we have had bienniums in the past where it generated as much as \$400,000 and it was used primarily for grants and loans to low income veterans in need of various services.

Vice Chairman Berry: Who makes that determination?

Chairman Dever: That goes through the Department of Veterans Affairs with oversight by ACOVA (Administrative Committee on Veterans Affairs). Last session, because revenue generated by that can go up and down, we provided a general fund appropriation of \$210,000 and then set aside the earnings in the last biennium to be used in the coming biennium so that they would know what funds would be coming to them. It is estimated that the fund will generate \$204,000 and that will be what their budget is for those purposes in the coming biennium.

Vice Chairman Berry: So this is like contributing to your retirement by adding to your principle and hopefully will generate more interest.

Chairman Dever: Except there is no guarantee in how much money it will generate.

Senator Marcellais: Moved a Do Pass and Re-refer to Appropriations.

Vice Chairman Berry: Seconded.

A Roll Call Vote Was Taken: 7 yeas, 0 nays, 0 absent.

Senator Marcellais: Carrier.

Date: 3/21

Roll Call Vote #: 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1439

Senate Government and Veterans 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 Senator Marcellais Seconded By Senator Berry

Senators	Yes	No	Senator	Yes	No
Chairman Dick Dever	✓		Senator Carolyn Nelson	✓	
Vice Chairman Spencer Berry	✓		Senator Richard Marcellais	✓	
Senator Dwight Cook	✓				
Senator Donald Schaible	✓				
Senator Nicole Poolman	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Senator Marcellais

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

REPORT OF STANDING COMMITTEE

HB 1439, as reengrossed: Government and Veterans Affairs Committee (Sen. Dever, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1439 was rereferred to the Appropriations Committee.

2013 SENATE APPROPRIATIONS

HB 1439

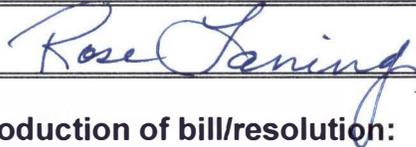
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

HB 1439
March 28, 2013
Job # 20591

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for a transfer from the general fund to the veterans' postwar trust fund

Minutes:

Written testimony

Legislative Council - Becky J. Keller
OMB - Laney Herauf

Chairman Holmberg opened the hearing on HB 1439. The bill we are looking at today is the second engrossment of the reengrossment of HB 1439.

Lonnie Wangen, Commissioner of Veterans Affairs, testified in favor of HB 1439. What this bill does is ads money into the principal of the post war trust fund so we can have more interest earnings and start building the fund up for the future. At the end of this biennium, whatever interest was earned will be available to the veterans for the next biennium. We asked for \$500,000 in the House to grow the fund and another \$100,000 to help us get through the next biennium with the hope that the following biennium we will have enough interest so we can fully fund the program. This appropriation from the House has come down to \$250,000, which goes directly into the principal. We would like to see additional money available to go into the fund if we run short at the end of this next coming biennium.

Senator Gary Lee: What are some of the services that you provide?

Lonnie Wangen: The services we are now providing is are grant program for low income veterans or spouse. This would be dental work, dentures, eye glasses, hearing aids, and some for transportation and housing deposits. He explained the needs.

Chairman Holmberg what rate of return did you receive on your investments in the last reporting period. The State Treasure can answer.

Senator Robinson: How large is the veteran's hospital?

Lonnie Wangen: The Fargo VA is the largest employer in North Dakota. I believe they had about 150 beds but they are doing some remodeling. There are about 600 FTEs working right there.

Senator Marcellais, District 9, Rolette County, testified in support of HB 1439.
Written testimony #1

Chairman Holmberg asked Kelly to give a report on the rate of return.

Kelly Schmidt, ND State Treasurer: To date, fiscal year to date, we are looking at a return rate of about 10% (10.3%). The equity portion is doing better than the cash equivalent portion of CDs we have invested. \$210,000 was given last session. If I were to write a check for 2013, \$204,478 would be available to them for their programs. \$223,000 would be contributed to the fund and added to the principal.

Discussed the history of the fund and to date the fund is about \$4.6M.

Chairman Holmberg closed the hearing on HB 1439

Senator Mathern moved **Do Pass** on HB 1439.

Senator Gary Lee seconded.

A roll call vote was taken. Yea: 11 Nay: 0 Absent: 2

The bill goes back to GVA and **Senator Marcellais** will carry the bill on the floor.

Date: 3-28-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1439

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

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

Motion Made By Mather Seconded By Lee

Senators	Yes	No	Senator	Yes	No
Chairman Ray Holmberg	✓		Senator Tim Mathern	✓	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell		
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner		
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle					
Senator Gary Lee	✓				

Total (Yes) 11 No 0

Absent 2

Floor Assignment GVA = Marcellais

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

REPORT OF STANDING COMMITTEE

HB 1439, as reengrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (11 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING).
Reengrossed HB 1439 was placed on the Fourteenth order on the calendar.

2013 TESTIMONY

HB 1439



STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
Kelly L. Schmidt, State Treasurer

Testimony #1

TO: Government Veterans Affairs Committee

DATE: February 6, 2013

FROM: Kelly Schmidt - State Treasurer

RE: HB 1439 - Veterans Postwar Trust Fund

History:

In the summer of 2009, my staff began its work with our attorney general contact to analyze the Uniform Principal and Income Act in an effort to define "income" to the Veteran's Postwar Trust Fund. We also worked with our investors and an independent accountant to provide a more transparent reporting process.

Under the Act, only dividends, interest and realized gains can be considered income. Previously, many people thought that "income" could also include unrealized gains or the market value of the fund above the original investment. That definition of income is not true under the Act.

Looking back at the fund, what ACOVA believed to be "income" capable of spending was not truly income.

Through that analysis, we formed many questions which we posed to the attorney general contact for the office. Through the process, we were able to form a better picture of the roles each group places in this process.

Prior to the fall of 2009, ACOVA felt that they could direct the investments and tell the Treasurer what they wanted to spend. ACOVA was used to having some level of control over the fund, and therefore, more flexibility in its spending. However, through the analysis of the Act, the roles were made very clear.

- The State Treasurer is the trustee of the fund. That means that the Treasurer directs the investments and determines income.
- ACOVA is the beneficiary of the fund. That means ACOVA receives the income and spends it according to the law.

There is no overlap in these roles. That means the Treasurer can't tell ACOVA how to spend the income and ACOVA cannot tell the Treasurer how to invest or what to give ACOVA to spend.

In the fall of 2009, my office set out a policy for declaring "income" to ACOVA so that they could better budget for a biennium. It was determined approximately \$200,000 would be available during the 2009-2011 biennium for grants to veterans. If the income during that time exceeded our projects, I would determine, at the end of the biennium, the excess amount and make that available for grants as well. I communicated that with ACOVA and posted the policy and the fund analysis on our website.

ATTACHED:

- Reports from Bienniums 2001-03, 2003-05, 2005-07 and 2007-09 showing the assets and liabilities of the Postwar Trust Fund. Please be reminded funds being spent prior to the 2009 biennium included unrealized gains which are not defined as income in the Uniform Principal and Income Act
- Veteran's Postwar Trust Fund Income Distribution Policy
- VPWT Carryover worksheet

Veteran's Postwar Trust Fund
2001-03 BIENNIUM END Report
As of June 30, 2003
Presented at the July 18, 2003 Meeting

Assets:

Marketable Securities (RIO account as of 5-31-03)	\$1,112,728.00
Bonds (State of Israel)	\$2,000,000.00
Bank CDs - fund principal	\$689,000.00
Reserve Account - CDs	\$150,495.83
Bank CD - fund interest	\$99,000.00
BND mmkt account #4200499 balance as of 7-14-03	\$78,365.51
Total accrued interest to be credited through 12-31-03	\$79,665.72
Total Assets	\$4,209,255.06

Liabilities:

	Committed	Funded	Unfunded
Reserve Account	150,000.00	150,000.00	0.00
Veteran's Affairs (letters dated 7-20-01 and 9-13-01)			
Grants	200,000.00	160,000.00	40,000.00
Operations (\$74,000 for biennium)	76,700.00	75,500.00	1,200.00
Computers, website, toll-free #	9,800.00	8,524.70	1,275.30
VA Voluntary Service	10,000.00	10,000.00	0.00
V-12 Memorial Project	2,000.00	2,000.00	0.00
Transportation Vans	18,000.00	18,000.00	0.00
Veteran's Home Activities Fund	25,000.00	25,000.00	0.00
Veteran's Home - defibrillators	7,000.00	0.00	7,000.00
Total Liabilities	498,500.00	449,024.70	49,475.30

Spent by ACVA

Fund Assets by Principal and Interest

Fund Principal and Reserve - first four assets listed above (market value)	\$3,952,223.83
Sale of Transportation Van	\$4,500.00
Interest Available for Distribution - last three assets listed above (includes interest to be accrued through 12-31-03)	\$257,031.23
	\$4,213,755.06

Interest Available for Distribution	\$257,031.23
Less current unfunded liabilities	\$49,475.30
Estimated uncommitted cash flow on December 31, 2003	\$207,555.93

Veteran's Postwar Trust Fund
2003-05 BIENNIUM END Report
As of June 30, 2005
Presented at the July 29, 2005 Meeting

Assets:

Marketable Securities (RIO account as of 5-31-05)	\$1,512,827.00
TIPS Account (Bonds invested with RIO)	\$2,054,337.00
Bank CDs - fund principal	\$689,000.00
Reserve Account - CDs	\$150,000.00
Bank CD - fund interest	\$80,000.00
BND mmkt account #4200499 balance as of 06-30-05	\$18,966.45
Total estimated accrued interest to be credited through 6-30-05	\$0.00
Total Assets	\$4,505,130.45

Liabilities:

	<u>Committed</u>	<u>Funded</u>	<u>Unfunded</u>
Reserve Account for 2003	50,000.00	50,000.00	0.00
Reserve Account for 2004 (obligated in 11/2004)	50,000.00	0.00	50,000.00
Veteran's Affairs			
Grants	147,000.00	138,800.00	8,200.00
Operations	74,430.00	74,195.00	235.00
Programming, website	2,075.30	700.00	1,375.30
Transportation	37,000.00	36,100.00	900.00
Positions	31,000.00	17,700.00	13,300.00
Job Service	40,000.00	40,000.00	0.00
Veteran's Home - Social Services/Activities	20,000.00	20,000.00	0.00
Veteran's Preference	10,000.00	7,450.00	2,550.00
Veteran's Home - defibrillators	7,000.00	7,000.00	0.00
StandDown	5,000.00	5,000.00	0.00
Total Liabilities	473,505.30	396,945.00	76,560.30

spent by ALOVA

Fund Assets by Principal and Interest

Fund Principal and Reserve - first four assets listed above (market value)	\$4,406,164.00
Gazebo Account Deposit	\$9,020.40
Transportation van sale	\$3,500.00
Interest Available for Distribution - last three assets listed above (includes interest to be accrued through 6-30-05)	\$98,966.45
	\$4,517,650.85
Interest Available for Distribution	\$98,966.45
Less current unfunded liabilities	\$76,560.30
Estimated uncommitted cash flow on June 30, 2005	\$22,406.15

Veteran's Postwar Trust Fund
2005-07 BIENNIUM END Report
As of June 30, 2007

Assets:

Bonds & Marketable Securities	\$3,886,029.00
Money Market Account	\$124,316.00
Bank CDs - fund principal	\$589,000.00
Reserve Account - CDs	\$400,000.00
Bank CD - fund interest	\$49,000.00
BND mmda account #4200499 balance as of 6-30-07	\$69,610.00

Total Assets **\$5,117,955.00**

Liabilities:

	Budgeted	Funded	Unfunded
Reserve Account for 05-07	150,000.00	150,000.00	0.00
Veteran's Affairs			
ACOVA Meetings	28,850.00	22,950.00	5,900.00
Chairman	1,000.00	1,000.00	0.00
Operations	2,500.00	2,500.00	0.00
Appeals Committee	500.00	300.00	200.00
Grants	225,000.00	145,000.00	80,000.00
Transportation Program	78,500.00	28,500.00	50,000.00
Veterans Preference	10,000.00	0.00	10,000.00
Veteran's Home			
Activity Fund	20,000.00	16,502.99	3,497.01
Marketing	5,000.00	0.00	5,000.00
DAV Transportation	1,500.00	1,500.00	0.00
StandDown	10,000.00	6,815.20	3,184.80
Refund of StandDown Expenditures	-5,000.00	-5,000.00	0.00
Total Liabilities	527,850.00	370,068.19	157,781.81

spent by ACOVA

Fund Assets by Principal and Interest

Current Value of the Veterans Post War Trust Fund @ 3/31/2007	\$5,117,955.00
Reserve Accounts	
Permanent Veterans Post War Trust Fund Reserve	4,101,849
Board Authorized Reserve Account	400,000
Total Reserve Accounts	4,501,849.00
Funds available in excess of Reserve Accounts	616,106.00
Less current unfunded liabilities	-
Funds Available @ 6/30/2007	616,106.00
Plus estimated earning to accrue thru June 30, 2007	-
Estimated uncommitted cash flow thru June 30, 2007	\$616,106.00

Veteran's Postwar Trust Fund
2007-09 BIENNIUM END Report
As of June 30, 2009
Presented to ACOVA August 21, 2009

Assets:

Bonds & Marketable Securities	\$2,659,685
Money Market Account	\$150,238
Bank CDs	\$974,000
BND Money Market	\$105,180

Total Assets	\$3,889,103
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Liabilities:

	Budgeted	Funded	Unfunded
Restricted Account for 07-09*	50,000	50,000	0
Veteran's Affairs			
ACOVA Meetings	5,000	2,500	2,500
Operations	0	0	0
Appeals Committee	1,000	700	300
Grants	285,000	310,000	
Transportation Program			
Lodging	4,000	3,100	900
Vans	30,000	30,500	-500
Van Sale	-7,000	-7,000	0
Veterans Preference	10,000	10,000	0
Veteran's Home			
Building Project**	0	0	0
Activity Fund	20,000	20,000	0
Circuit Training Equipment	6,500	6,500	0
Automatic External Defibrillators	1,270	1,270	0
Social Services	5,000	2,500	2,500
DAV Transportation	1,500	500	1,000
StandDown	4,000	4,000	0
Total Liabilities	416,270	434,570	6,700

- spent by ACOVA

Fund Assets by Principal and Interest

Current Value of the Veterans Post War Trust Fund @	\$3,889,103
Veterans Post War Trust Fund Original balance	4,101,849
Change from original balance	(212,746.09)

Memorandum

To: State Treasurer Kelly Schmidt
From: Deputy State Treasurer Carlee McLeod
Re: Post War Trust Fund Income Distribution Policy
Date: September 8, 2009

Pursuant to the recently completed analysis of the Post War Trust Fund (PWTF) and the attached letter from Assistant Attorney General Edward Erickson, please find the following summary and policy regarding the distribution of any funds from the PWTF.

- According to the letter from Mr. Erickson dated September 2, 2009, the State Treasurer is the sole trustee and fiduciary of the PWTF. As a trustee and fiduciary, the State Treasurer invests the funds and distributes the income to a beneficiary. ACOVA is the beneficiary who receives trust income. As beneficiary, ACOVA has the right to spend money given to it from the trustee, but it does not have the right to direct either the amount which it is given or the way the fund is invested. To this point, ACOVA often determined the amount of the fund which they planned to spend without giving weight to the income as declared by the trustee. Further, ACOVA has sought to guide investment of the fund through assumed "reserve funds." Neither of these practices are consistent with the law.
- To be consistent with law and to clarify your policy moving forward, the State Treasurer's policy for distributing income from the PWTF shall be as follows:
 1. As the trustee of the fund, the State Treasurer will continue to invest the fund in accordance with the prudent investor standard set in N.D.C.C. 21-10-07 and clarified by the letters from Mr. Erickson dated June 4, 2002 and September 2, 2009.
 2. ACOVA will receive a guaranteed amount of \$200,000 from the PWTF for the 2009-2011 biennium, resulting from the interest gained from CDs and dividends. Any expenditures occurring between July 1, 2009 and June 30, 2011, inclusive, will be paid out of this guaranteed income regardless of the date of obligation. If funds are requested for obligations remaining from the 2007-2009 biennium, those expenditures will be paid from the 2009-2011 guaranteed income. For example, if \$18,000 is needed to clear up unpaid bills from last biennium, only \$182,000 will remain for expenditures in 2009-2011.
 3. It is possible that ACOVA will receive funds in addition to the guaranteed amount of \$200,000. The State Treasurer will determine the status of the fund at the end of each fiscal year to determine if there is income beyond CD interest and dividends. The State Treasurer will distribute funds to ACOVA if she determines that there is further income beyond the CD

interest and dividends. ACOVA will be notified if additional income is expected at the close of each fiscal year.

4. Interest, dividends, and any other income will only be distributed as funds become available with no penalty. The State Treasurer will not sell any securities to make distribution of income to ACOVA.
5. The State Treasurer will inform ACOVA of the guaranteed amount of distribution for each biennium within a reasonable period from each biennial start date.

The 62nd Legislative assembly appropriated \$210,000 in general fund dollars to the Department of Veteran's Affairs. These funds were to be used in lieu of 2011-13 earnings from the Veteran's Postwar Trust Fund. The VPWT earnings for 2011-13 will be distributed to DVA's account at the beginning of the 2013-15 biennium per the State Treasurer's VPWT Policy.

The Constitutional mandate for the VPWT is to expend income from the VPWT for the benefit of Veterans. The earnings from the 2009-11 biennium have been carried over and remain available to date. This balance statement is sent monthly to Lonnie Wangen – Commissioner – DVA, Cathy Halgunseth – DVA, Lyle Schuchard – Immediate Past Chair - ACOVA, Dean Overby – Chairman, ACOVA, Jody Link – Governor's Office and Jeff Hall – ACOVA member

Month End	Balance in 410 account (2011-13)
Jul-11	\$45,193.51
Aug-11	\$53,949.08
Sep-11	\$45,458.68
Oct-11	\$49,964.30
Nov-11	\$49,964.30
Dec-11	\$49,129.59
Jan-12	\$49,978.81
Feb-12	\$49,983.02
Mar-12	\$49,986.99
Apr-12	\$64,455.00
May-12	\$64,460.12
Jun-12	\$64,465.17
Jul-12	\$64,245.54
Aug-12	\$64,476.33
Sep-12	\$64,481.80
Oct-12	\$64,487.10
Nov-12	\$64,492.58
Dec-12	\$64,467.88
Jan-13	\$64,500.62

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Adopted by the Government and Veterans
Affairs Committee
February 8, 2013

Attachment 1

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1439

Page 1, line 7, replace "\$2,000,000" with "\$500,000"

Page 1, after line 10, insert:

"SECTION 2. APPROPRIATION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the sum as may be necessary, to the department of veterans' affairs for the purpose of providing a grant to the administrative committee on veterans' affairs for programs authorized by law to benefit and serve veterans or their dependents, for the biennium beginning July 1, 2013, and ending June 30, 2015."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment reduces the transfer from the general fund to the veterans' postwar trust fund from \$2,000,000 to \$500,000 and provides \$100,000 from the general fund to the Department of Veterans' Affairs for a grant to the Administrative Committee on Veterans' Affairs for programs authorized by law to benefit and serve veterans or their dependents.

NDLA, H APP - Traeholt, Meredith

From: Sandness, Sheila M.
Sent: Saturday, February 23, 2013 8:05 AM
To: NDLA, H APP - Traeholt, Meredith
Subject: FW: Veterans' postwar trust fund

From: Sandness, Sheila M.
Sent: Tuesday, February 19, 2013 3:02 PM
To: Delzer, Jeff W.
Cc: Knudson, Allen H.
Subject: Veterans' postwar trust fund

Representative Delzer,

This email is to provide the information you requested regarding the use of funding from the postwar trust fund for programs to benefit and serve veterans. House Bill No. 1468 (2011) provided \$280,000 from the general fund, of which \$210,000 is to be used in lieu of income generated from the veterans' postwar trust fund for programs to benefit and serve veterans or their dependents, \$50,000 is for the purchase of vans to transport veterans or their dependents, and \$20,000 is for "stand down" events to coordinate benefits and provide services to needy veterans in the state. The Legislative Assembly in 2011 also amended North Dakota Century Code Section 37-14-14 relating to the veterans' postwar trust fund to provide all income earned by the veterans' postwar trust fund in a biennium is appropriated to the Administrative Committee on Veterans' Affairs on a continuing basis in the biennium following the biennium in which it was earned. Income earned by the veterans' postwar trust fund during the 2011-13 biennium will be available for benefits and services to veterans during the 2013-15 biennium. In addition to the \$210,000 provided from the general fund to be used in lieu of income generated from the veterans' postwar trust fund for programs, the Department of Veterans' Affairs has available \$64,500 of veterans' postwar trust fund income remaining from the 2009-11 biennium for a total of \$274,500 available for programs authorized by law to benefit and serve veterans or their dependents during the 2011-13 biennium.

As of February 15, 2013, the department has \$77,754 of the 2011-13 general fund appropriation remaining available. Funding from the general fund has been used as follows:

- \$210,000 appropriation for programs to benefit and serve veterans - The Administrative Committee on Veterans' Affairs has spent \$168,246 to provide grants, lodging, transportation reimbursements, and other requests.
- \$50,000 appropriation for the purchase of vans - The Administrative Committee on Veterans' Affairs has spent \$29,000 on the purchase of vans.
- \$20,000 appropriation for "stand down" events - The Administrative Committee on Veterans' Affairs has spent \$5,000 for "stand down" events.

Through February 15, 2013, the department has used \$33,467 of the \$64,500 veterans' postwar trust fund carryover from the 2009-11 biennium for requests from the Veterans' Home and \$31,033 remains available. The Administrative Committee on Veterans' Affairs has committed an additional \$16,533 of the remaining funds to the Veterans' Home for items programs to serve the veterans in the home, for a total of \$50,000 either spent or committed.

The fund balance in the veterans' postwar trust fund was \$4,453,494 as of November 2012, compared to \$4,258,156 as of June 30, 2011. Income generated by the fund that will become available to the Administrative Committee on Veterans' Affairs during the 2013-15 biennium totaled \$158,624 through November

2012. Based on income earned during the first 17 months of the current biennium, 2011-13 income that will become available for benefits during the 2013-15 biennium should exceed \$200,000.

If you have any questions or need additional information, please feel free to contact me.

Sheila M. Sandness
Senior Fiscal Analyst
North Dakota Legislative Council
600 E. Boulevard Avenue
Bismarck, ND 58505
701.328.2916
smsandness@nd.gov

2011 legislation: Provided \$210,000 in General Fund dollars to be used in lieu of PWTF interest earnings.

-Previously interest earnings were spent as they were earned.

-Now will have interest earned in one biennium to be used in next biennium- now can budget
Economic down turn in 2008 resulted in a 9 month wait for grants.

Treasurer expects about \$200,000 available for 2013-2015 biennium

Previously averaged \$400,000 in a biennium

Have cut out many programs and requests

PWTF 2011-2013 needs not funded by PWTF

<u>Purchase of VA Vans:</u>	\$58,000
Purchased 4 vans to replace vans over mileage	
Used general funds appropriated by HB 1468	
<u>Stand Down Events:</u>	\$20,000
Bismarck \$5,000 request	
Bottineau \$5,000 request	
HB1177 provided \$20,000 in General Funds for Stand Downs.	
<u>Request for Funding:</u>	\$10,000
*Heartsprings looking for funds for grant research to establish A PTSD/TBI treatment facility in ND. Requested \$10,000	
ACOVA allowed \$5,000	

Programs no longer fundable by PWTF interest earnings

<u>Veterans Preference:</u>	\$20,000
PWTF monies not available for Vets preference legal Services. Had one appeal go to hearing in 2012. One hearing not advanced to appeals due to lack of attorney funds.	
<u>Veterans Home:</u>	
Activities Fund	\$25,000
Defibrillators, Exercise equipment	\$7,000-\$10,000
Social Services	\$5,000
<u>Veterans Homeless Project</u>	\$1,000
<u>VAMC Volunteer Services</u>	
Assist with volunteer program	\$1,000-\$10,000
<u>Marketing/Outreach</u>	\$5,000
<u>Reserve Fund:</u>	
Create a reserve fund for emergencies	\$50,000

2011-2013 budget funds estimated to run out in March of 2013

\$4,000,000 in PWTF since the 1980's. now provides \$200,000 for veterans in a biennium
\$2,000,000 should provide additional \$100,000 and help fund to grow.

NORTH DAKOTA VETERANS COORDINATING COUNCIL

My name is John Jacobsen. I am a member 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 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 1439 is supported as amended by the Veterans Coordinating Council.



STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
Kelly L. Schmidt, State Treasurer

TO: Government Veterans Affairs Committee

DATE: March 14, 2013

FROM: Kelly Schmidt - State Treasurer

RE: HB 1439 - Veterans Postwar Trust Fund

History:

In the summer of 2009, my staff began its work with our attorney general contact to analyze the Uniform Principal and Income Act in an effort to define "income" to the Veteran's Postwar Trust Fund. We also worked with our investors and an independent accountant to provide a more transparent reporting process.

Under the Act, only dividends, interest and realized gains can be considered income. Previously, many people thought that "income" could also include unrealized gains or the market value of the fund above the original investment. That definition of income is not true under the Act.

Looking back at the fund, what ACOVA believed to be "income" capable of spending was not truly income.

Through that analysis, we formed many questions which we posed to the attorney general contact for the office. Through the process, we were able to form a better picture of the roles each group places in this process.

Prior to the fall of 2009, ACOVA felt that they could direct the investments and tell the Treasurer what they wanted to spend. ACOVA was used to having some level of control over the fund, and therefore, more flexibility in its spending. However, through the analysis of the Act, the roles were made very clear.

- The State Treasurer is the trustee of the fund. That means that the Treasurer directs the investments and determines income.
- ACOVA is the beneficiary of the fund. That means ACOVA receives the income and spends it according to the law.

There is no overlap in these roles. That means the Treasurer can't tell ACOVA how to spend the income and ACOVA cannot tell the Treasurer how to invest or what to give ACOVA to spend.

In the fall of 2009, my office set out a policy for declaring "income" to ACOVA so that they could better budget for a biennium. It was determined approximately \$200,000 would be available during the 2009-2011 biennium for grants to veterans. If the income during that time exceeded our projects, I would determine, at the end of the biennium, the excess amount and make that available for grants as well. I communicated that with ACOVA and posted the policy and the fund analysis on our website.

ATTACHED:

- Reports from Bienniums 2001-03, 2003-05, 2005-07 and 2007-09 showing the assets and liabilities of the Postwar Trust Fund. Please be reminded funds being spent prior to the 2009 biennium included unrealized gains which are not defined as income in the Uniform Principal and Income Act
- Veteran's Postwar Trust Fund Income Distribution Policy
- VPWT Carryover worksheet

Veteran's Postwar Trust Fund
2001-03 BIENNIUM END Report
As of June 30, 2003
Presented at the July 18, 2003 Meeting

Assets:

Marketable Securities (RIO account as of 5-31-03)	\$1,112,728.00
Bonds (State of Israel)	\$2,000,000.00
Bank CDs - fund principal	\$689,000.00
Reserve Account - CDs	\$150,495.83
Bank CD - fund interest	\$99,000.00
BND mmkt account #4200499 balance as of 7-14-03	\$78,365.51
Total accrued interest to be credited through 12-31-03	\$79,665.72
Total Assets	\$4,209,255.06

Liabilities:

	Committed	Funded	Unfunded
Reserve Account	150,000.00	150,000.00	0.00
Veteran's Affairs (letters dated 7-20-01 and 9-13-01)			
Grants	200,000.00	160,000.00	40,000.00
Operations (\$74,000 for biennium)	76,700.00	75,500.00	1,200.00
Computers, website, toll-free #	9,800.00	8,524.70	1,275.30
VA Voluntary Service	10,000.00	10,000.00	0.00
V-12 Memorial Project	2,000.00	2,000.00	0.00
Transportation Vans	18,000.00	18,000.00	0.00
Veteran's Home Activities Fund	25,000.00	25,000.00	0.00
Veteran's Home - defibrillators	7,000.00	0.00	7,000.00
Total Liabilities	498,500.00	449,024.70	49,475.30

ACOVA Expensed

Fund Assets by Principal and Interest

Fund Principal and Reserve - first four assets listed above (market value)	\$3,952,223.83
Sale of Transportation Van	\$4,500.00
Interest Available for Distribution - last three assets listed above (includes interest to be accrued through 12-31-03)	\$257,031.23
	\$4,213,755.06
Interest Available for Distribution	\$257,031.23
Less current unfunded liabilities	\$49,475.30
Estimated uncommitted cash flow on December 31, 2003	\$207,555.93

Veteran's Postwar Trust Fund
2003-05 BIENNIUM END Report
As of June 30, 2005
Presented at the July 29, 2005 Meeting

Assets:

Marketable Securities (RIO account as of 5-31-05)	\$1,512,827.00
TIPS Account (Bonds invested with RIO)	\$2,054,337.00
Bank CDs - fund principal	\$689,000.00
Reserve Account - CDs	\$150,000.00
Bank CD - fund interest	\$80,000.00
BND mmkt account #4200499 balance as of 06-30-05	\$18,966.45
Total estimated accrued interest to be credited through 6-30-05	\$0.00
Total Assets	\$4,505,130.45

Liabilities:

	<u>Committed</u>	<u>Funded</u>	<u>Unfunded</u>
Reserve Account for 2003	50,000.00	50,000.00	0.00
Reserve Account for 2004 (obligated in 11/2004)	50,000.00	0.00	50,000.00
Veteran's Affairs			
Grants	147,000.00	138,800.00	8,200.00
Operations	74,430.00	74,195.00	235.00
Programming, website	2,075.30	700.00	1,375.30
Transportation	37,000.00	36,100.00	900.00
Positions	31,000.00	17,700.00	13,300.00
Job Service	40,000.00	40,000.00	0.00
Veteran's Home - Social Services/Activities	20,000.00	20,000.00	0.00
Veteran's Preference	10,000.00	7,450.00	2,550.00
Veteran's Home - defibrillators	7,000.00	7,000.00	0.00
StandDown	5,000.00	5,000.00	0.00
Total Liabilities	473,505.30	396,945.00	76,560.30

ACOVA Expensed

Fund Assets by Principal and Interest

Fund Principal and Reserve - first four assets listed above (market value)	\$4,406,164.00
Gazebo Account Deposit	\$9,020.40
Transportation van sale	\$3,500.00
Interest Available for Distribution - last three assets listed above (includes interest to be accrued through 6-30-05)	\$98,966.45
	<u>\$4,517,650.85</u>
Interest Available for Distribution	\$98,966.45
Less current unfunded liabilities	\$76,560.30
Estimated uncommitted cash flow on June 30, 2005	<u>\$22,406.15</u>

Veteran's Postwar Trust Fund
2005-07 BIENNIUM END Report
 As of June 30, 2007

Assets:

Bonds & Marketable Securities	\$3,886,029.00
Money Market Account	\$124,316.00
Bank CDs - fund principal	\$589,000.00
Reserve Account - CDs	\$400,000.00
Bank CD - fund interest	\$49,000.00
BND mmda account #4200499 balance as of 6-30-07	\$69,610.00

Total Assets **\$5,117,955.00**

Liabilities:

	Budgeted	Funded	Unfunded
Reserve Account for 05-07	150,000.00	150,000.00	0.00
Veteran's Affairs			
ACOVA Meetings	28,850.00	22,950.00	5,900.00
Chairman	1,000.00	1,000.00	0.00
Operations	2,500.00	2,500.00	0.00
Appeals Committee	500.00	300.00	200.00
Grants	225,000.00	145,000.00	80,000.00
Transportation Program	78,500.00	28,500.00	50,000.00
Veterans Preference	10,000.00	0.00	10,000.00
Veteran's Home			
Activity Fund	20,000.00	16,502.99	3,497.01
Marketing	5,000.00	0.00	5,000.00
DAV Transportation	1,500.00	1,500.00	0.00
StandDown	10,000.00	6,815.20	3,184.80
Refund of StandDown Expenditures	-5,000.00	-5,000.00	0.00
Total Liabilities	527,850.00	370,068.19	157,781.81

ACOVA Expensed

Fund Assets by Principal and Interest

Current Value of the Veterans Post War Trust Fund @ 3/31/2007	\$5,117,955.00
Reserve Accounts	
Permanent Veterans Post War Trust Fund Reserve	4,101,849
Board Authorized Reserve Account	400,000
Total Reserve Accounts	4,501,849.00
Funds available in excess of Reserve Accounts	616,106.00
Less current unfunded liabilities	-
Funds Available @ 6/30/2007	616,106.00
Plus estimated earning to accrue thru June 30, 2007	-
Estimated uncommitted cash flow thru June 30, 2007	\$616,106.00

Veteran's Postwar Trust Fund
2007-09 BIENNIUM END Report
As of June 30, 2009
Presented to ACOVA August 21, 2009

Assets:

Bonds & Marketable Securities	\$2,659,685
Money Market Account	\$150,238
Bank CDs	\$974,000
BND Money Market	\$105,180

Total Assets	\$3,889,103
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Liabilities:

	Budgeted	Funded	Unfunded
Restricted Account for 07-09* Veteran's Affairs	50,000	50,000	0
ACOVA Meetings	5,000	2,500	2,500
Operations	0	0	0
Appeals Committee	1,000	700	300
Grants	285,000	310,000	
Transportation Program			
Lodging	4,000	3,100	900
Vans	30,000	30,500	-500
Van Sale	-7,000	-7,000	0
Veterans Preference	10,000	10,000	0
Veteran's Home			
Building Project**	0	0	0
Activity Fund	20,000	20,000	0
Circuit Training Equipment	6,500	6,500	0
Automatic External Defibrillators	1,270	1,270	0
Social Services	5,000	2,500	2,500
DAV Transportation	1,500	500	1,000
StandDown	4,000	4,000	0
Total Liabilities	416,270	434,570	6,700

ACOVA Expenses

Fund Assets by Principal and Interest

Current Value of the Veterans Post War Trust Fund @	\$3,889,103
Veterans Post War Trust Fund Original balance	4,101,849
Change from original balance	(212,746.09)

Memorandum

To: State Treasurer Kelly Schmidt
From: Deputy State Treasurer Carlee McLeod
Re: Post War Trust Fund Income Distribution Policy
Date: September 8, 2009

Pursuant to the recently completed analysis of the Post War Trust Fund (PWTF) and the attached letter from Assistant Attorney General Edward Erickson, please find the following summary and policy regarding the distribution of any funds from the PWTF.

- According to the letter from Mr. Erickson dated September 2, 2009, the State Treasurer is the sole trustee and fiduciary of the PWTF. As a trustee and fiduciary, the State Treasurer invests the funds and distributes the income to a beneficiary. ACOVA is the beneficiary who receives trust income. As beneficiary, ACOVA has the right to spend money given to it from the trustee, but it does not have the right to direct either the amount which it is given or the way the fund is invested. To this point, ACOVA often determined the amount of the fund which they planned to spend without giving weight to the income as declared by the trustee. Further, ACOVA has sought to guide investment of the fund through assumed "reserve funds." Neither of these practices are consistent with the law.
- To be consistent with law and to clarify your policy moving forward, the State Treasurer's policy for distributing income from the PWTF shall be as follows:
 1. As the trustee of the fund, the State Treasurer will continue to invest the fund in accordance with the prudent investor standard set in N.D.C.C. 21-10-07 and clarified by the letters from Mr. Erickson dated June 4, 2002 and September 2, 2009.
 2. ACOVA will receive a guaranteed amount of \$200,000 from the PWTF for the 2009-2011 biennium, resulting from the interest gained from CDs and dividends. Any expenditures occurring between July 1, 2009 and June 30, 2011, inclusive, will be paid out of this guaranteed income regardless of the date of obligation. If funds are requested for obligations remaining from the 2007-2009 biennium, those expenditures will be paid from the 2009-2011 guaranteed income. For example, if \$18,000 is needed to clear up unpaid bills from last biennium, only \$182,000 will remain for expenditures in 2009-2011.
 3. It is possible that ACOVA will receive funds in addition to the guaranteed amount of \$200,000. The State Treasurer will determine the status of the fund at the end of each fiscal year to determine if there is income beyond CD interest and dividends. The State Treasurer will distribute funds to ACOVA if she determines that there is further income beyond the CD



interest and dividends. ACOVA will be notified if additional income is expected at the close of each fiscal year.

4. Interest, dividends, and any other income will only be distributed as funds become available with no penalty. The State Treasurer will not sell any securities to make distribution of income to ACOVA.
5. The State Treasurer will inform ACOVA of the guaranteed amount of distribution for each biennium within a reasonable period from each biennial start date.

The 62nd Legislative assembly appropriated \$210,000 in general fund dollars to the Department of Veteran's Affairs. These funds were to be used in lieu of 2011-13 earnings from the Veteran's Postwar Trust Fund. The VPWT earnings for 2011-13 will be distributed to DVA's account at the beginning of the 2013-15 biennium per the State Treasurer's VPWT Policy.

The Constitutional mandate for the VPWT is to expend income from the VPWT for the benefit of Veterans. The earnings from the 2009-11 biennium have been carried over and remain available to date. This balance statement is sent monthly to Lonnie Wangen – Commissioner – DVA, Cathy Halgunseth – DVA, Lyle Schuchard – Immediate Past Chair - ACOVA, Dean Overby – Chairman, ACOVA, Jody Link – Governor's Office and Jeff Hall – ACOVA member

Month End	Balance in 410 account (2011-13)
Jul-11	\$45,193.51
Aug-11	\$53,949.08
Sep-11	\$45,458.68
Oct-11	\$49,964.30
Nov-11	\$49,964.30
Dec-11	\$49,129.59
Jan-12	\$49,978.81
Feb-12	\$49,983.02
Mar-12	\$49,986.99
Apr-12	\$64,455.00
May-12	\$64,460.12
Jun-12	\$64,465.17
Jul-12	\$64,245.54
Aug-12	\$64,476.33
Sep-12	\$64,481.80
Oct-12	\$64,487.10
Nov-12	\$64,492.58
Dec-12	\$64,467.88
Jan-13	\$64,500.62
Feb -13	\$31,035.96

**Testimony
House Bill 1439
Appropriation Committee
Senator Holmberg, Chairman
March 28, 2013 @ 9:00 AM**

*Senator Richard Marcellais #1
HB 1439*

3-28-13

Chairman Holmberg, members of the Appropriation Committee, my name is Richard Marcellais, Senator from District 9, Rolette County.

HB 1439 to provide an appropriation for a transfer from the general fund to the veteran' postwar trust fund.

In 1996, North Dakota citizens voted to create a constitutionally protected trust fund to provide benefits to existing and future veterans and their families. The State Treasurer is the trustee of the fund which is to be invested to both survive in perpetuity and provide annual income to the Administrative Committee on Veterans Affairs (ACOVA) for use for grants and programs that will benefit our veterans. Veterans deserve our utmost respect, and it is our duty to ensure that the Veterans Post War Trust Fund continues to grow to meet the needs of our current and future veterans.

In 2011 legislature enacted HB 1468 providing a general fund appropriation of \$210,000 to the Department of Veterans Affairs for the 2011-2013 biennium. This appropriation is to be used in the place of current earnings from the Veterans Post War Trust Fund. The bill also requires the Treasurer to hold current earnings in the trust for distribution in the 2013-2015 biennium. This change provides ACOVA the opportunity to budget their programs with full knowledge of the amount available for the benefit of North Dakota's veterans.

HB 1439 request that \$250,000 be transferred from the general fund to the veteran' postwar trust fund.

Thank you very much for the opportunity to appear in support of HB 1439. I will try an answer any questions the committee may have.