

Department of Legislative Services
 Maryland General Assembly
 2005 Session

FISCAL AND POLICY NOTE
Revised

House Bill 3 (Delegate Busch, *et al.*)
 Health and Government Operations and Ways and Means Education, Health, and Environmental Affairs

Veterans Advocacy and Education Act of 2005

This bill clarifies the operational and administrative authority of the Maryland Department of Veterans Affairs (MDVA) and requires MDVA to develop and implement an outreach and advocacy program. The bill also establishes a Veterans of the Afghanistan and Iraq Conflicts Scholarship and creates a Task Force to Study State Assistance to Veterans that must submit an interim report by December 1, 2005 and a final report by December 1, 2006.

The bill takes effect June 1, 2005.

Fiscal Summary

State Effect: General fund expenditures could increase by an estimated \$1.3 million in FY 2006 to provide scholarships to veterans and to hire additional personnel at the Maryland Higher Education Commission (MHEC) and MDVA. Future year expenditure estimates are based on increased participation in the scholarship program, regular salary increases, and inflation. Revenues would not be affected.

(\$ in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1.3	2.2	2.9	3.6	4.1
Net Effect	(\$1.3)	(\$2.2)	(\$2.9)	(\$3.6)	(\$4.1)

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: None.

Analysis

Bill Summary:

Maryland Department of Veterans Affairs Authority and Responsibilities

This bill places the operational and administrative authority for veterans' service centers, veterans' cemeteries, and veterans' homes under the Secretary of Veterans Affairs rather than the Maryland Veterans Commission and the Maryland Veterans Home Commission. The operations of these programs and services are also modified and clarified.

The membership of the Maryland Veterans Commission is reduced from 30 to 27, and the term of office for a member is reduced from seven to five years. The membership of the Maryland Veterans Home Commission is reduced from 15 to 14 by removing the Chairman of the Maryland Veterans Commission from the commission, and the term of office for a member is increased from four to five years.

Outreach and Advocacy Program

The bill establishes an outreach and advocacy program within MDVA to ensure that veterans are informed of available federal and State services, benefits, and assistance and to bring issues related to veterans' needs to the attention of the Governor and the General Assembly. The program must help veterans and their dependents to access benefits. A director for the program must be appointed by the Secretary of Veterans Affairs to administer and coordinate the program. The director must develop mechanisms for outreach, and MDVA must develop and maintain a database of Maryland veterans.

MDVA must report annually on the outreach and advocacy program, the benefits that have been requested and received by veterans and their families, the status of various veterans programs, and the estimated impact of the current military actions on the needs of veterans in the future.

Veterans of the Afghanistan and Iraq Conflicts Scholarship

The bill establishes the Veterans of the Afghanistan and Iraq Conflicts Scholarship Program. Veterans of the conflicts and members of the reserve or Maryland National Guard who were activated as a result of the conflicts are eligible for the scholarships, as are their children and spouses. To qualify, an applicant must also be a Maryland resident and must be accepted for admission or enrolled in a regular undergraduate program at a Maryland institution of higher education or a two-year terminal certificate program in which the course work is eligible for transfer into a baccalaureate program at a Maryland institution of higher education. Applicants must file for federal and State financial aid

annually. Scholarship recipients must maintain a grade point average of at least 2.5 on a 4.0 scale and may hold the scholarship for up to five years of full-time study or eight years of part-time study.

A Veterans of the Afghanistan and Iraq Conflicts Scholarship supplements federal education benefits for which an applicant is eligible and may be used to pay for educational expenses, including tuition and mandatory fees and room and board. The annual amount of a scholarship may not exceed 50% of the equivalent annual tuition, mandatory fees, and room and board at the University System of Maryland institution with the highest annual expenses for full-time resident undergraduates, excluding the University of Maryland University College and University of Maryland, Baltimore. The Office of Student Financial Assistance (OSFA) may not award an initial scholarship under the program after June 30, 2012, although scholarships may be renewed after that date.

Funding for the scholarship program is as provided in the annual State budget. In addition, senators and delegates may authorize OSFA to award their senatorial and delegate scholarship funds to eligible recipients of the scholarships. A Veterans of the Afghanistan and Iraq Conflicts Scholarship Fund is also established, and MHEC may accept gifts or grants for the fund. MHEC must report annually on the status of the fund.

Task Force to Study State Assistance to Veterans

The bill establishes a Task Force to Study State Assistance to Veterans to be appointed by July 1, 2005. The task force must make recommendations on the availability and accessibility of services for veterans, the efficiency of existing services, and the potential impact of an increased number of veterans returning from military service. The task force must submit an interim report by December 1, 2005 and a final report by December 1, 2006. The Department of Legislative Services must provide staffing for the task force. The task force terminates December 1, 2005.

Current Law: The Secretary of Veterans Affairs is responsible for the operation of MDVA and must establish guidelines and procedures to promote the orderly and efficient operation of MDVA. The Maryland Veterans Commission and Maryland Veterans Home Commission are statutorily responsible for some of the specific services and programs offered to veterans.

There are no scholarship programs specifically for veterans of the Afghanistan and Iraq conflicts, although the Edward T. Conroy Memorial Scholarship is available to disabled veterans and the children of disabled and deceased veterans.

Background: Chapters 124 and 125 of 1999 established MDVA by combining the purposes and authority of the Maryland Veterans Commission (including the Washington Cemetery Board of Trustees), the Maryland Veterans Home Commission, and the State responsibility and authority for the War Memorial Commission. MDVA advises that the original legislation did not delineate the relationship between the new department and its existing related commissions. This bill would clarify relationships between MDVA and the commissions and provide for more flexible operations within the department. Many of the bill's provisions with respect to MDVA codify current practice.

Approximately 1 million U.S. troops are serving or have served in Iraq and Afghanistan. As reported by the U.S. Department of Defense, at least 2,604 Maryland residents were serving in Iraq and Afghanistan in November 2004. MDVA advises that it does not have enough information to give an accurate estimate of the total number of Maryland residents who have been involved in the conflicts.

The federal Montgomery G.I. Bill provides monthly payments to veterans and members of the armed forces who are working towards college degrees. The payments, \$1,004 per month for a full-time student enlisted for three years or more, go directly to veterans and armed forces members as benefits they have earned through their service. The payments are not intended to offset any additional financial assistance for which veterans might qualify.

State Expenditures: General fund expenditures could increase by an estimated \$1.3 million in fiscal 2006 to provide approximately 260 scholarships to veterans of the Iraq and Afghanistan conflicts (\$1.1 million) and support new personnel and administrative costs at MHEC (\$60,900) and MDVA (\$150,900). By fiscal 2010, total costs could increase to an estimated \$4.1 million.

Veterans of the Afghanistan and Iraq Conflicts Scholarship Program

The bill states that funding for the scholarships is as provided in the annual State budget. Assuming that MHEC would have sufficient funding to distribute scholarships to a significant number of eligible applicants, general fund expenditures for the scholarships could total \$1.1 million in fiscal 2006 under the following assumptions.

- An estimated 260 veterans, a number equal to 10% of the Maryland residents who were recently on active duty in Iraq and Afghanistan, would apply for and receive scholarship funding for the 2005-2006 academic year. This number may be low because it does not account for Maryland residents who were in Iraq and Afghanistan during the earlier parts of the conflicts.
- The average award amount would be approximately \$4,340, which is equal to one-half of the estimated average fiscal 2006 award for the Sharon Christa McAuliffe

Memorial Program. Language describing the award amounts for the McAuliffe Program, which provides scholarships to students in teacher education programs, is similar to the language proposed for this program but provides for 100% of the costs instead of 50%.

Expenditures for the scholarships would increase in each of the next four fiscal years, as scholarship recipients renew their awards and new veterans apply for scholarships. By fiscal 2010, expenditures for the program could total \$4.0 million under the following assumptions.

- Approximately 70% of the scholarships would be renewed annually. This estimate is based on the renewal rate for the HOPE scholarship programs.
- An estimated 260 additional veterans would apply for new awards each year.
- The average award amount would increase by 5.9% per year due to projected increases in tuition and fees.

The estimated number of awards, average award amount, and total cost of the program for each of the next five years are shown below.

	<u>Number of Awards</u>	<u>Average Award Amount</u>	<u>Cost (\$ in Millions)</u>
FY 2006	260	\$4,340	\$1.1
FY 2007	442	4,600	2.0
FY 2008	569	4,870	2.8
FY 2009	658	5,160	3.4
FY 2010	720	5,460	4.0

In addition to scholarship expenditures, program administrative costs would amount to an estimated \$60,874 in fiscal 2006 to hire an administrative specialist at MHEC to oversee the new scholarship program and cover associated operating expenses. The estimate assumes that the new position would begin on July 1, 2005, in time for scholarships to be awarded for the 2005-2006 academic year. In addition to the salary and fringe benefits, a one-time cost of \$10,000 to add the new scholarship program to the existing MHEC financial assistance database, other one-time start-up costs, and ongoing operating expenses are included in the estimate.

	<u>FY 2006</u>	<u>FY 2007</u>
Salaries and Fringe Benefits	\$45,629	\$47,016
One-time Database Update – Contractual Services	10,000	0
Start-up and Ongoing Operating Expenses	<u>5,245</u>	<u>439</u>
State Expenditures – Program Administration	\$60,874	\$47,455

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Maryland Department of Veterans Affairs Enhancements

General fund expenditures could increase by an estimated \$150,949 in fiscal 2006 to fund additional personnel and expenses at MDVA. This estimate assumes a 90-day start-up delay following the bill's June 1, 2005 effective date and reflects the cost of hiring a communications director to aid with the required veterans outreach program and an administrative support person. In addition to salaries and related expenses, the estimate includes \$45,000 to contract for: enhancements to MDVA's web site; the development and dissemination of a pamphlet detailing veteran's benefits; the production of a stand-alone display to use at veteran outreach events; and the development of a veteran database.

	<u>FY 2006</u>	<u>FY 2007</u>
Salaries and Fringe Benefits	\$90,117	\$111,602
Contractual Services	45,000	0
Operating Expenses	<u>15,842</u>	<u>8,252</u>
State Expenditures	\$150,949	\$119,854

Future year expenditures reflect: (1) full salaries with 4.6% annual increases and 3% employee turnover; and (2) 1% annual increases in ongoing operating expenses.

Other provisions of the bill relating to the authority and responsibilities of MDVA, the Maryland Veterans Commission, and the Maryland Veterans Home Commission either codify existing practice or would not materially impact State finances or operations.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Maryland Department of Veterans Affairs, Maryland Higher Education Commission, U.S. Department of Defense, *New York Times*, Department of Legislative Services

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