



Senate Fiscal Agency
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Senate Bill 1108 (as introduced 10-2-14)
Sponsor: Senator Vincent Gregory
Committee: Appropriations

Date Completed: 10-21-14

CONTENT

The bill would amend the Vietnam Veteran Era Bonus Act by extending the period of military service covered under the Act from a period of January 1, 1961, to September 1, 1973, to a period of January 1, 1961, to May 7, 1975.

MCL 35.1022

FISCAL IMPACT

The Senate Fiscal Agency (SFA) projects that the cost of the bill for the Department of Military and Veterans Affairs' Michigan Veterans Affairs Agency (MVAA) would be a little over \$4.0 million, with the cost having the potential of being higher than that, due to a number of unknown variables and uncertainties.

The estimates discussed here are made assuming that this bill, along with other necessary amendments to the Vietnam Veteran Era Bonus Act, allow for applications for the bonus to be made available specifically to those who served during the period of September 2, 1973, to May 7, 1975.

The above estimate is largely based upon the recent experience of the State of Iowa, which passed a similar program to cover the same period of service, and found that 2,500 (3% of all 83,121 existing Iowa Vietnam Era veterans) obtained a bonus under the program. Using the same percentage of participation, Michigan would experience bonuses being paid to 3% of a projected 2015 Michigan Vietnam Era population of 232,100, or approximately 7,000 veterans. This would put the projected cost of the bill at a little over \$4.0 million, with costs for awarding bonuses to beneficiaries of deceased veterans adding somewhat to this total.

From the original application period of the Act, which ended June 30, 1980, over 370,000 Michigan veterans (including 3,581 families of veterans killed in action) received a bonus of either a flat \$600 for a combat veteran or up to \$450 for other veterans who served during the covered period of service. According to the MVAA, this number represents almost 90% of the Michigan residents who served during the era.

The MVAA has made a higher estimate of costs than the SFA. The MVAA estimates that approximately 45,500 current Michigan veterans would be eligible for the proposed bonus program expansion, with an estimated payout being \$24.6 million, based upon a 90% application rate (40,950 participants). On the low side, with a 40% application rate, the MVAA estimates the payout would be \$10.9 million (18,200 participants).

In addition to the cost of bonuses, there would be costs related to outreach efforts for the program (though minor, due to the existing MVAA website, agency representatives covering each county in the state and agency networking through various media and veterans service organizations), and clerical costs related to administration of the program, which requires applications to be submitted to the Adjutant General of the Department of Military and Veterans Affairs. Iowa used a single staff person to administer its program. Iowa's Vietnam Era veterans' population is one-third the size of Michigan's, but the MVAA has existing personnel which administer existing grant programs, so it's possible that only one or two additional clerical workers would need to be hired, at a cost of approximately \$80,000 to \$90,000 for each position, including benefits, to accomplish the job.

With the aforementioned variables, plus other factors such as the degree of outreach success by the MVAA for the proposed program to find eligible parties, and increased difficulties in all facets of the program related to the passage of nearly 40 years since the end of eligibility period, an accurate level of participation in the program may not be predictable unless the program expansion is implemented.

Currently, there is no specific proposal on how to pay for the bonus program proposed by the bill.

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