

Department of Legislative Services
 Maryland General Assembly
 2024 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 1012 (Senator Charles)

Budget and Taxation and Education, Energy,
 and the Environment

Veterans Affairs – Disabled Veterans Guaranteed Basic Income

This bill establishes the Disabled Veterans Guaranteed Basic Income Program (and the Disabled Veterans Guaranteed Basic Income Fund), administered by the Maryland Department of Veterans Affairs (MDVA), to distribute \$200 per month to an enrolled “disabled veteran.” In fiscal 2025, the Comptroller must distribute up to \$5.0 million from the State Lottery Fund to the fund. For fiscal 2025 and annually thereafter, the Governor must include in the annual budget bill an appropriation of \$5.0 million to the fund from *either* the State Lottery Fund *or* the proceeds of video lottery terminals (VLTs) at each video lottery facility. **The bill takes effect July 1, 2024.**

Fiscal Summary

State Effect: General fund revenues decrease by (and special fund revenues increase by) \$5.0 million annually beginning in FY 2025 from the mandated distribution and mandated appropriation. Special fund expenditures increase by \$5.0 million beginning in FY 2025 to provide the monthly benefit to a limited number of disabled veterans, as discussed below. General fund expenditures increase by *as much as* \$44.8 million beginning in FY 2025, and *as much as* \$94.2 million in future years, to provide a monthly benefit to *all* potentially eligible disabled veterans, as discussed below. **This bill establishes an entitlement program and a mandated distribution beginning in FY 2025 and a mandated appropriation beginning in FY 2026.**

(\$ in millions)	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
GF Revenue	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)	(\$5.0)
SF Revenue	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
GF Expenditure	\$44.8	\$94.2	\$94.2	\$94.2	\$94.2
SF Expenditure	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
Net Effect	(\$49.8)	(\$99.2)	(\$99.2)	(\$99.2)	(\$99.2)

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

Local Effect: The bill is not anticipated to materially affect local government operations or finances.

Small Business Effect: None.

Analysis

Bill Summary: “Disabled veteran” means an individual who:

- is honorably discharged or released under honorable circumstances from active military, naval, air, or space service (as defined in federal law) after four or more years of active-duty service;
- is at least six months removed from the separation of service; and
- has been declared by the U.S. Department of Veterans Affairs to have a permanent 70% service-connected disability that results from blindness or any other disabling cause that (1) is reasonably certain to continue for the life of the veteran and (2) was not caused or incurred by the misconduct of the veteran.

MDVA must (1) establish a process to review the eligibility of a disabled veteran to enroll in the program; (2) enroll eligible disabled veterans into the program; and (3) distribute \$200 per month from the fund to an enrolled disabled veteran. MDVA must review the eligibility of an enrolled disabled veteran on a regular basis. MDVA may adopt regulations to implement the bill.

The Disabled Veterans Guaranteed Basic Income Fund is a special, nonlapsing fund administered by MDVA. The purpose of the fund is to provide adequate funding for a guaranteed basic income benefit for disabled veterans. The fund consists of (1) money appropriated in the State budget to the fund; (2) interest earnings; and (3) any other money from any other source accepted for the benefit of the fund. The fund may only be used for providing guaranteed basic income to disabled veterans enrolled in the program and administrative expenses. Expenditures from the fund may only be made in accordance with the State budget.

The bill establishes two means of fulfilling the mandated appropriation. First, beginning in fiscal 2025, as much as \$5.0 million is distributed into the fund from lottery proceeds, with crediting to the fund each month. Second, the bill establishes that the Comptroller must pay, from the proceeds of VLTs at each video lottery facility, to the fund to be available for the bill’s mandated appropriation – while this language does not specify an amount, it refers back to the provision establishing \$5.0 million as the mandated appropriation.

Current Law:

Maryland Department of Veterans Affairs

MDVA delivers services and programs to assist Maryland veterans, their families, and survivors in obtaining State, federal, and local benefits provided by law in recognition for their service. MDVA assures the quality maintenance of veterans' cemeteries and memorials to honor Maryland veterans. MDVA also manages Charlotte Hall Veterans Home, an assisted living and skilled nursing facility for veterans and their eligible spouses who are unable to care for themselves due to disability, advancing age, or who require nursing home care. Additionally, MDVA engages in public awareness and outreach to veterans, their families, and other stakeholders.

State Lottery Fund and Video Lottery Terminal Distributions

Each month, after payments to lottery winners and agents and to the State Lottery for operating expenses, the Comptroller makes payments from the State Lottery Fund for various purposes. Additionally, the Comptroller must deposit 10% of the money that remains in the State Lottery Fund from the proceeds of ticket sales from instant ticket lottery machines by veterans' organizations into the Maryland Veterans Trust Fund. After specified statutory distributions are made from the State Lottery Fund, the remainder is deposited into the State's general fund. The Comptroller advises that, for fiscal 2023, \$655.4 million was transferred to the general fund after the other mandated distributions.

Gross VLT proceeds are generally distributed from the proceeds of VLTs at each facility to a small, minority, and woman-owned business investment account; the State lottery for administrative costs; local impact grants; horse racing purses, bred funds, and track renewal; licensees; and the remaining funds to the Education Trust Fund. The Comptroller advises that, for fiscal 2023, \$516.0 million was transferred to the Education Trust Fund after the other mandated distributions.

State Fiscal Effect:

Administrative Expenses

Because MDVA does not currently administer direct benefit programs, additional staff are required. As special funds may be used for administrative expenses, MDVA special fund expenditures increase by \$379,159 in fiscal 2025, which reflects a 90-day start-up delay from the bill's July 1, 2024 effective date. This estimate reflects the cost of hiring (1) one director; (2) one deputy director; and (3) three administrative specialists beginning October 1, 2024, to promulgate regulations, advertise the program, process applications, enroll eligible disabled veterans, distribute the monthly benefit, and review ongoing

eligibility for the program on a regular basis. It includes salaries, fringe benefits, one-time start-up costs, payment processing and marketing costs, and ongoing operating expenses.

Positions	5.0
Salaries and Fringe Benefits	\$317,879
Payment Processing and Marketing	25,000
Operating Expenses	<u>36,280</u>
Total FY 2025 Administrative Expenditures	\$379,159

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Guaranteed Basic Income Benefit Constitutes an Entitlement Program

The bill requires MDVA to distribute \$200 per month to eligible disabled veterans who apply to the program. Based on the 2022 American Community Survey, 89,147 Maryland veterans have a service-connected disability, including 41,151 with a 70% or higher service-connected disability rating. The number of these veterans who served for at least four years of active-duty service is unknown.

Use of Residual Funding from the Mandated Distribution: Given the estimated administrative expenses for the program noted above, \$4.6 million in special funds remains available to provide a monthly benefit to disabled veterans in fiscal 2025. Assuming a 90-day start-up delay for the provision of benefits from the date personnel are hired (benefits issued beginning January 1, 2025), special fund expenditures increase by \$4.6 million to provide a \$200 monthly benefit to up to 3,850 disabled veterans in fiscal 2025 (reflecting six months of benefits provided).

Other Effects of the Mandated Distribution: The bill establishes a mandated distribution of \$5.0 million from the State Lottery Fund to the Disabled Veterans Guaranteed Basic Income Fund beginning in fiscal 2025. As a result, special fund revenues of \$5.0 million accrue to the fund in fiscal 2025. As these funds would otherwise accrue to the general fund in the absence of the bill, general fund revenues decrease correspondingly.

Fulfillment of the Mandated Appropriation: Beginning in fiscal 2026, the bill establishes an annual mandated appropriation of \$5.0 million to the fund, which may be drawn from either the State Lottery Fund or VLT proceeds. This analysis assumes that the ongoing mandated distribution of \$5.0 million from the State Lottery Fund is used to satisfy the mandated appropriation and that VLT proceeds are not affected (especially since the amount for any such distribution is not specified in the same manner). Thus, special fund revenues to the fund also increase by \$5.0 million in fiscal 2026, and annually thereafter. As noted above, as these funds would otherwise accrue to the general fund in the absence

of the bill, general fund revenues continue to decrease by \$5.0 million in fiscal 2026 and annually thereafter. (However, if VLT proceeds were used instead, revenues to the Education Trust Fund would decrease by \$5.0 million annually and general fund expenditures could be necessary to backfill for those monies.)

Entitlement Program Can Only Be Partially Funded with Identified Sources: Although the bill establishes a funding stream, the Department of Legislative Services advises that the level of funding ensured for the program is not sufficient to cover all likely costs of the new entitlement for disabled veterans. In the absence of authorization to institute a cap or freeze on benefits relative to the program's budget, MDVA must enroll all disabled veterans who meet the bill's eligibility criteria and apply for the program. Given that as many as 41,151 veterans may qualify, MDVA expenditures for the monthly benefit could increase by as much as \$98.8 million annually under the bill. The \$5.0 million mandated distribution/mandated appropriation specified in the bill could only cover administrative costs and defray a portion of the costs for just one month of benefits if the entire estimated eligible population were to enroll.

Accordingly, general fund expenditures increase by *as much as* \$44.8 million in fiscal 2025 (reflecting six months of benefits provided), and *as much* \$94.2 million in fiscal 2026 and annually thereafter to provide the \$200 monthly benefit to all eligible disabled veterans who may apply for the program. As the number of disabled veterans who served for at least four years of active-duty service is unknown, the actual number of disabled veterans who will qualify for and seek to enroll in the program is unknown. To the extent a lesser number of disabled veterans enroll, general fund expenditures decrease.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: None.

Information Source(s): Comptroller's Office; Department of Budget and Management; Department of Veterans Affairs; Department of Legislative Services

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rh/jc

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