
Designing a Bonus Program for Minnesota's Gulf War Veterans

This information brief provides background for developing a bonus program for Minnesotan veterans of the 1990-91 Persian Gulf War. In the November 1996 general election, Minnesotans approved a constitutional amendment by a margin of 64 percent to 36 percent to permit the state to authorize the issuance of state bonds for that purpose. Alternatively, the legislature could appropriate money from the state's general fund for a bonus program. Before exercising either of these options, however, the legislature would first need to design and authorize the bonus program by enacting enabling legislation. Four earlier bonus programs were created for Minnesota's World War I, World War II, Korean War, and Vietnam War era veterans. Those programs could serve as a general guide for designing a bonus program for veterans of the Persian Gulf War and, thus, they are summarized in this brief.

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Minnesota's Previous Veterans' Bonuses Provide Formal Recognition of Wartime Military Service

Following any given war or military conflict, governments at various levels have a range of alternatives available to formally recognize the participating soldiers. The first option is whether or not to recognize such service at all. Historically, the Minnesota Legislature has recognized veterans' service in major wars—including WWI, WWII, and the Korean and Vietnam Wars—but not in most of the nation's several dozen smaller-scale military conflicts, such as the North Russia Expedition 1918-19; Nicaragua 1927-32; the Dominican Republic 1956-66; the Mayaguez-Cambodia Incident 1975; Lebanon 1982-84; and Panama 1989-90.

In each of the four major wars noted above, recognition has primarily been in the form of a monetary bonus to qualifying individuals. Appendices A to D of this information brief list the details of those qualifying criteria and bonus payment amounts, which vary considerably among the four bonus programs. Generally, the programs paid from a few to several hundred dollars to each qualifying veteran. Those who served in the designated war theater received roughly twice the amount as veterans who served outside that area (including those whose service was wholly stateside), with larger amounts going to former prisoners of war and surviving spouses.

The legislature has not yet determined the qualifying criteria or bonus amounts for the proposed Persian Gulf War veterans' bonus. Such details would need to be specified in, and authorized by, additional enabling legislation before any bonus could be paid.

Why a Constitutional Amendment?

If the legislature chooses to finance a veterans' bonus program through an appropriation from the general fund, there would be no need for a constitutional amendment, since it already has the constitutional authority for such spending. A constitutional amendment is necessary only to authorize the use of state bonding—i.e., incurrence of public debt, or borrowing—for this purpose. In fact, no constitutional amendment was proposed for either the World War I or Korean War veterans' bonus programs.¹

¹ The Korean War veterans' bonus was paid from funds remaining in the "compensation fund" that was created several years earlier as a repository for the revenues from the several special taxes designed to retire the bonding debt for the World War II veterans' bonus. And despite the fact that no constitutional amendment was proposed for the World War I veterans' bonus program, it was funded through the issuance of state bonds, thus resulting in considerable controversy at the time over the limits of legislative authority. It is highly unlikely that the state could market bonds for a veterans' bonus in today's sophisticated bond market without first obtaining voter ratification of an amendment authorizing state borrowing for this purpose.

One advantage of relying on bonding to finance a veterans' bonus program is that the state financial burden is spread out over a period of years, rather than falling into a single biennial budget period as would be the case if the bonus were funded by an appropriation from the general fund.

Another possible advantage is that the requisite referendum on the question for bonding as a funding mechanism essentially shifts to the voters the responsibility for, and control over, the decision about whether to have a bonus program. And whenever voters approve such a referendum, the margin of approval can help guide the legislature in determining the size of the bonus when it subsequently designs the enabling legislation.²

Creation and Timing of the Bonus Program

If the 1997 legislature chooses to enact enabling legislation for a bonus program for Gulf War veterans, the timing of the payments to individual veterans would depend primarily on the funding alternative used for the program; i.e., direct appropriation versus bonding. Funding the program through a direct appropriation, of course, would be quicker, resulting in approximately the following timetable.

Spring, 1997	Legislature designs and enacts the enabling legislation, and provides funding through a direct appropriation.
Summer & Fall, 1997	Department of Veterans Affairs prepares for the program, and accepts applications from individual veterans.
Spring, 1998 to the end of the program	MDVA continues to accept and process applications, verifies eligibility and pays bonuses.

If the bonus program were to be financed through bonding, on the other hand, then payment of the bonuses would need to be delayed until the Department of Finance is able to prepare for and execute the bond sale, perhaps adding several months to the process. In addition, future legislatures would need to appropriate funds over a 20-year period to retire those bonds.

² Interested readers may wish to see **State Bond Authority in the Minnesota Constitution**, August 1996, House Research Department.

Eligibility for the Bonus Program

The number of Minnesotans who would be eligible for the Persian Gulf War veterans' bonus program depends on the eligibility criteria specified in the enabling legislation. Thus, only a crude estimate of the number of participants is possible at this time. The following numbers from the MDVA are quite tentative and should be regarded as merely ballpark figures.

The underlying calculations assume that the eligibility period would be from August 1, 1990 to July 31, 1991. This period of time includes the invasion and occupation of Kuwait by Iraqi forces, the counter invasion by U.S. forces, and several months of the clean-up period when U.S. troops were exposed to airborne chemical pollutants from widespread oil well fires and the danger of mines and other unexploded ordnance. These estimates are very rough, being based on nationwide active duty totals and assuming that Minnesotans comprise two percent of the nation's military forces.

- 12,000** Rough estimate of the number of Minnesota veterans who served within the war theater during the above-designated period of combat and initial cleanup. If the Persian Gulf War veterans' bonus was structured similar to the earlier veterans' bonus programs, these veterans would qualify for a higher bonus amount than the following group.
- 28,000** Rough estimate of the number of Minnesota veterans who served during the period of the Persian Gulf War exclusively outside of the war theater (including those who served wholly stateside). Based on earlier bonus programs, this group of veterans might be awarded a lower bonus amount.
- 1,200** Rough estimate of the number of Minnesota National Guard members and Minnesota members of the Army and Air Force Reserves who were activated for the Persian Gulf War (assuming half each in each of the above service categories).
- 41,200** A rough estimate of the total number of Minnesotans who served in active military duty during any part of the period of August 1, 1990 to July 31, 1991 and who might be defined as eligible for a Persian Gulf War veterans' bonus.

***Please note:** readers should realize these estimates of the number of veterans who might be eligible for the bonus program are merely illustrative. Any assumptions regarding dates and categories of personnel used in estimating eligibility are for illustration only. Actual eligibility criteria can and might well differ significantly from this example.*

Cost of the Bonus Program

The ultimate cost of a Persian Gulf War veterans' bonus program would depend on the amount(s) of the bonus awarded to qualifying veterans and on the number of veterans who are defined as eligible for the bonus—determinations that can be made only in the enabling legislation. However, according to the MDVA, the preceding assumptions regarding participation and eligibility lead to an estimated program cost of roughly \$16 million if the bonus amounts are the same as those used in the Vietnam War veterans' bonus program, or roughly triple that amount if they are adjusted for price inflation since 1974. The MDVA currently is working to develop a range of scenarios for structuring the bonus program, and soon will be able to provide more refined cost estimates for consideration by the legislature.

Appendix A: World War I

Constitutional Amendment - none was proposed

Critics during that era asserted that the undertaking of public debt to finance this program may have exceeded constitutional authority. As a consequence, subsequent legislatures have proposed constitutional amendments to authorize subsequent bonuses financed by borrowing (i.e., by issuing bonds or certificates of indebtedness); namely, those for veterans of World War II and the Vietnam War.

Program Enactment - 1919

Laws of Minnesota 1919, chapter 49, extra session

Financing - \$23 million total

\$20 million certificates of indebtedness, 12 year maturation; with statewide property tax levy authorized to retire the certificates (Laws 1919, chapter 49, extra session)

\$2 million appropriation (as a loan) from the general fund, with property tax levy to retire debt (Laws 1921, chapter 51)

\$1 million certificates of indebtedness, six and seven year maturations (Laws 1921, chapter 53)

Bonus Structure

Qualifying period of military service: April 6, 1917 to November 11, 1919

Requirements include Minnesota residency at time of induction, honorable discharge, and service in United States or Allied Armed Forces during WWI.

\$15 per month of qualifying service, less tuition received (under Laws 1919, chapter 338)
\$50 Minimum; no maximum (but effectively \$540 maximum: \$15 x 36 months)

If veteran is deceased, the veteran's bonus is paid to his widow if widow is still single. No other beneficiary arrangement is authorized.

No separate reference to POW/MIAs

Citations

Laws of Minnesota 1919, chapter 49, extra session (program establishment)

Laws of Minnesota 1921, chapter 51 (additional appropriation \$2 million)

Laws of Minnesota 1921, chapter 53 (additional bond authorization \$1 million)

Laws of Minnesota 1919, chapter 338 (tuition program, deducted from bonus)

Appendix B: World War II

Constitutional Amendment - Proposed 1947 (Laws 1947, chapter 642)

Shall the Constitution of the State of Minnesota be amended by adding thereto a new article authorizing the state at any time to pay an adjusted compensation to persons who have served in the armed forces of the United States during the period from and including September 16, 1940, through December 30, 1946, to levy taxes and appropriate monies for such purpose; to expend monies, construct (sic.) debts, issue and negotiate bonds or certificates of indebtedness or both, and to pledge the public credit if and whenever authorized and in such amounts and on such terms as may be fixed by the legislature, and repealing inconsistent provisions of the constitution?

Yes ___
No ___

Constitutional Amendment - Adopted 1948 general election

Results of the 1948 general election

664,703 Yes (53 percent of all voters)
420,518 No (33 percent of all voters)

1,257,804 Total voters

Program Enactment - 1949 (Laws 1949, chapter 642)

Financing - \$84 million

\$84 million bonds and/or certificates of indebtedness authorized.

To retire the program debt, the enabling legislation created a number of taxes including: 1) a five percent surtax applying to individual incomes, estates, and trusts, as well as to incomes of banks and corporations; 2) a flat annual tax of five dollars on all banks and corporations, as well as all persons required to file an income tax return; 3) a one percent additional mineral occupation and royalty tax; and 4) a ten percent surtax on intoxicating liquors and other alcoholic beverages. In addition, it authorized the levy of a statewide property tax sufficient to cover the amount of any deficit that might happen to develop in the bond retirement account. The enacting legislation authorized these taxes for the ten-year period 1949 through 1958.

Bonus Structure

Qualifying period of military service: Dec. 7, 1941 to Sept. 2, 1945

Excludes persons on continuous active duty for five years or more immediately prior to the war. Requirements include Minnesota residency prior to induction and honorable service. Must have at least 30 consecutive days of service.

Ten dollars per month of domestic duty (inside continental United States)

Fifteen dollars per month of foreign duty (in Alaska or outside continental United States)

\$270 maximum for domestic duty

\$400 maximum for foreign duty, or a combination of foreign and domestic duty

If veteran is deceased, bonus is paid to beneficiary (defined in detail).

\$400 to the beneficiary of any veteran who died during his/her period of service from service-connected causes, irrespective of length or place of service.

No separate reference to POW/MIAs

Sunset Provision (Laws 1951, chapter 650)

Specified that no application could be accepted after December 31, 1951. However, subsequent legislatures have continued to authorize payment for late applications.

Citations

Laws of Minnesota 1947, chapter 642 (constitutional amendment proposal)

Laws of Minnesota 1949, chapter 642 (program establishment)

Laws of Minnesota 1949, chapter 643 (constitutional amendment extending the authorized use of mineral occupation tax revenues for use in funding this program)

Laws of Minnesota 1951, chapter 650 (extended eligibility to certain veterans returning from Canada)

Appendix C: Korean War

Constitutional Amendment - none was proposed

This program used funds remaining in the veterans compensation fund from the bond sale used to finance the WWII bonus program; therefore, since no further public debt was being incurred, further constitutional authorization was believed to be unnecessary.

Program Enactment - 1957 (Laws 1957, chapter 942)

Financing - \$15 million

The enabling legislation for the Korean War bonus program amended the WWII program legislation principally by modifying the qualifying dates of service and the bonus structure. Thus, debt service for the Korean War bonus program continued to be based on the special surtaxes, headtaxes, mineral occupation and royalty taxes, and backup statewide property tax enacted to retire the WWII program debt.

Bonus Structure

Qualifying service period: June 27, 1950 to July 27, 1953 (3 years, 1 month)

Excludes persons on continuous active duty for four years or more immediately prior to the war. Requirements include Minnesota residency prior to induction, honorable service, and at least 30 days continuous service.

If eligible for the Korean Service Medal:

- \$15 per month for foreign duty (in Alaska or outside continental United States)
- \$7.50 per month for domestic duty (\$270 maximum for this portion)
- \$400 maximum for all domestic and foreign duty combined
- No minimum

If not eligible for that medal:

- \$7.50 per month for all foreign and domestic duty
- \$200 maximum
- No minimum

No separate bonus amount for deceased veterans or those becoming POW/MIA

Citation

Laws of Minnesota 1957, chapter 942 (program establishment)

Appendix D: Vietnam War

Constitutional Amendment - Proposed 1971 (Laws 1971, chapter 959)

Shall the Minnesota Constitution be amended to permit the payment of bonuses to veterans serving during the period of the Vietnam conflict and the levying of taxes for that purpose?

Yes ___
No ___

Constitutional Amendment - Adopted, 1972 general election

Results of the 1972 general election

1,131,921 Yes (64 percent of all voters)
477,473 No (27 percent of all voters)

1,773,838 Total voters

Program Enactment - 1973 (Laws 1973, chapter 204)

Financing - \$60 million

\$60 million bonds authorized

Program legislation stated the intent to retire the bonds by direct annual appropriations from the state's general fund.

Bonus Structure

If veteran earned the Vietnam Service Medal or the Vietnam Expeditionary Medal:

Qualifying period of service: July 1, 1958 to July 27, 1973 (15 years)

\$300, plus \$15 per month of service during the qualifying period
\$600 maximum

If veteran did not earn either of these Vietnam medals:

Qualifying period of service: August 5, 1964 to January 27, 1973 (9 ½ years)

\$15 per month of service during the qualifying period
\$100 minimum
\$300 maximum

If veteran was a POW or MIA:

\$1,000 in lieu of any other amount

If veteran died during the qualifying period from service-connected causes:

\$1,000 to the beneficiary

Citations

Laws of Minnesota 1971, chapter 959 (constitutional amendment proposal)

Laws of Minnesota 1973, chapter 204 (program establishment)

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