

**A PERSIAN GULF VETERANS' BONUS
FOR PENNSYLVANIANS**

**GENERAL ASSEMBLY
OF THE
COMMONWEALTH OF PENNSYLVANIA
JOINT STATE GOVERNMENT COMMISSION
JANUARY 1992**

The Joint State Government Commission was created by the act of July 1, 1937 (P.L. 2460, No. 459) as amended, as a continuing agency for the development of facts and recommendations on all phases of government for the use of the General Assembly.

JOINT STATE GOVERNMENT COMMISSION, 1992

OFFICERS

Senator Roger A. Madigan, Chairman
Representative Robert W. O'Donnell, Vice Chairman
Representative Ivan Itkin, Treasurer

EXECUTIVE COMMITTEE

SENATE MEMBERS

Robert C. Jubelirer
President pro tempore

F. Joseph Loeper
Majority Leader

Robert J. Mellow
Minority Leader

D. Michael Fisher
Majority Whip

J. William Lincoln
Minority Whip

Noah W. Wenger
Chairman, Majority Caucus

Leonard J. Bodack
Chairman, Minority Caucus

HOUSE MEMBERS

Robert W. O'Donnell
Speaker

H. William DeWeese
Majority Leader

Matthew J. Ryan
Minority Leader

Ivan Itkin
Majority Whip

Samuel E. Hayes, Jr.
Minority Whip

Mark B. Cohen
Chairman, Majority Caucus

Fred C. Noye
Chairman, Minority Caucus

MEMBER EX OFFICIO

Roger A. Madigan, Commission Chairman

Conrad C. M. Arensberg, Counsel

David L. Hostetter, Assistant Counsel

A PERSIAN GULF VETERANS' BONUS FOR PENNSYLVANIANS

TASK FORCE

Senate Members

Clarence D. Bell, Chairman
Albert V. Belan
Gerald J. LaValle

Terry L. Punt
Robert D. Robbins
Patrick J. Stapleton

House Members

Anthony J. Melio, Vice Chairman
Daniel L. Anderson
Mark B. Cohen
Ron Gamble
Samuel E. Hayes, Jr.
Edwin G. Johnson

Ralph Kaiser
John A. Lawless
Robert E. Nyce
Leona G. Telek
Michael R. Veon
Peter C. Wambach



GENERAL ASSEMBLY OF THE COMMONWEALTH OF PENNSYLVANIA
JOINT STATE GOVERNMENT COMMISSION
ROOM 108 - FINANCE BUILDING
HARRISBURG 17120

717-787-4397
FAX 717-787-7020

January 1992

TO THE MEMBERS OF THE GENERAL ASSEMBLY:

Senate Resolution No. 18, Session of 1991, directs that the Joint State Government Commission determine the number of Pennsylvanians who are serving in the Persian Gulf, the amount of money which will be needed to compensate Pennsylvania veterans for service in the Persian Gulf and the exact dates of service in the Persian Gulf which will qualify a veteran for compensation. The resolution also requires the Commission to examine the existing laws of the Commonwealth relating to veterans and recommend any changes necessary to compensate Pennsylvania veterans of the Persian Gulf War.

The report addresses itself to these questions and, in order to lend historical perspective, it presents the chronological development of the involvement of the United States and its allies in the Persian Gulf Conflict. Furthermore, the report includes references to Federal and State benefits for veterans of the Persian Gulf Conflict.

The Commission would like to thank Congressman John P. Murtha and his staff and Colonel Joseph R. Clelan, Director, Bureau of Veterans Affairs, Department of Military Affairs, for their invaluable assistance with this project.

The Commission is, therefore, pleased to present this report of the Task Force on A Persian Gulf Veterans' Bonus for Pennsylvanians, chaired by Senator Clarence D. Bell, which includes recommendations of the task force and proposed legislation implementing those recommendations.

Respectfully submitted,

A large, stylized handwritten signature in black ink, appearing to read "Roger A. Madigan".

Roger A. Madigan
Chairman

CONTENTS

SUMMARY OF RECOMMENDATIONS	1
INTRODUCTION	3
United States Involvement in the Persian Gulf Conflict	5
Selected Federal Benefits Available to Persian Gulf Veterans	13
Veterans' Bonus Legislation in Pennsylvania	21
PROPOSED LEGISLATION INCLUDING COMMENTS	27



SUMMARY OF RECOMMENDATIONS

The task force recommends that the General Assembly enact a Persian Gulf Conflict Veterans' Compensation and Bond Act to provide the following:

I. Compensation

The proposed legislation provides for the payment of bonus compensation to all eligible Pennsylvania veterans of the Persian Gulf Conflict Theater. An eligible veteran would receive a bonus of \$100 per month for active service, including service-connected hospitalization, subject to a limit of \$3,000. A prisoner of war would receive an additional \$4,000 and the beneficiary of a deceased veteran would receive an additional \$4,000.

II. Preservation and Maintenance of Records

The proposed legislation provides for the cost involved in the preservation and maintenance of records relating to applications for compensation in connection with any war or armed conflict. The Adjutant General shall periodically transfer funds to the Pennsylvania Historical and Museum Commission for the preservation and maintenance of the records.

III. Veterans' Memorial

The proposed legislation also provides for the cost of designing and constructing a patriotic monument or memorial to honor all Pennsylvania veterans of armed conflicts, past and future, in which the United States was, or may be, a participant. A Pennsylvania Veterans' Memorial Commission was established in 1988 and empowered to erect such a memorial.

IV. Referendum

The proposed legislation authorizes the incurring of indebtedness in an amount up to fifty million (\$50,000,000) dollars and the issuance and

sale of bonds by the Commonwealth of Pennsylvania for the payment of compensation for service in the Persian Gulf Conflict. The amount includes an estimated amount of \$250,000 for the cost of preserving and maintaining records relating to applications for compensation in connection with any war or armed conflict and \$1,500,000 for the cost of designing and constructing a memorial to Pennsylvania's veterans. The incurring of indebtedness is contingent upon electorate approval.

INTRODUCTION

This report, A Persian Gulf Veterans' Bonus for Pennsylvanians, is divided into three sections:

- United States Involvement
in the Persian Gulf Conflict
- Selected Federal Benefits
Available to Persian Gulf
Veterans
- Veterans' Bonus Legislation
in Pennsylvania

Section one outlines the history of United States involvement in the Persian Gulf Conflict. Examination of this section facilitates both a determination of the time period by which eligibility for compensation payments (referred to as bonus payments) is made and establishment of the probable cost to the Commonwealth for those compensation payments.

Section two details Federal benefits available to Persian Gulf Conflict veterans.

Section three summarizes Pennsylvania veterans' bonus legislation enacted from the American Revolution to the Vietnam War.

Other material included in this report is proposed legislation, including comments, providing for a Persian Gulf veterans' bonus for Pennsylvanians.



UNITED STATES INVOLVEMENT IN THE PERSIAN GULF CONFLICT

Long before the Persian Gulf Conflict, the United States recognized that it had a vital interest in the Persian Gulf region, because of its huge oil resources. During World War II, the United States aided Great Britain in the campaign against the Nazi forces in North Africa, in order to prevent the Axis from seizing control of those resources.

After World War II it became apparent that the Persian Gulf was equally important to the economic and political welfare of the free world in peacetime. It soon became settled United States policy to assure that no hostile power should dominate this vital area. In 1950, President Truman told King Abdul Aziz of Saudi Arabia that "no threat to your kingdom could arise that would not be of immediate concern to the United States." On August 31, 1973, President Nixon assured King Faisal of Saudi Arabia of "the constancy of our strong interest in Saudi Arabia's security and welfare." Furthermore, President Carter repeated United States policy when he stated on January 23, 1980 that "an attempt by any outside force to gain control of the Persian Gulf will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force." This strong language was echoed by President Bush on November 30, 1990, when he repeated what he had been saying since he first ordered troops to the Persian Gulf in response to Iraq's invasion of Kuwait on August 2, 1990: "We're in the Gulf because the world must not and cannot reward aggression. We're there because our vital interests are at stake."¹

In the months prior to the invasion of Kuwait, Iraq's President Saddam Hussein had become increasingly vocal about the oil and financial policies of the other Arab states in the Gulf; Iraq has one of the world's largest oil reserves. Yet, in the past decade, the country's resources had

¹Statement by the Honorable Dick Cheney, Secretary of Defense, concerning Operation Desert Shield before the Committee on Armed Services, United States Senate, December 3, 1990.

been largely diverted to a war with Iran. Iraq also invested heavily in increasingly sophisticated weaponry. By summer 1990, Iraq was more than \$60 billion in debt. Iraq warned Kuwait, its oil-rich neighbor, and the United Arab Emirates that they must curb excess oil production. The countries of the Gulf area are restrained from producing more oil than is allotted under the Organization of Petroleum Exporting Countries (OPEC) agreements. These agreements are designed to keep the price of oil relatively high and stable. Iraq also claimed that Kuwait was slant drilling along the Kuwait-Iraq border, stealing an estimated \$2.5 billion in oil from the Iraq side of the Rumaila oil field. Additionally, Iraq was upset by Kuwait's demands for repayment of loans made to Iraq during the eight year war with Iran. Iraq also wanted possession of the Kuwait islands of Warba and Bubiyan which would give Iraq direct access to the Persian Gulf waters. Finally, Iraq claimed that Kuwait was a country which had been artificially created by the World War II allies and was, in fact, Iraq's 19th province.

Negotiations between Iraq and Kuwait in Jiddah, Saudi Arabia, in July 1990, were unsuccessful. On August 2, 1990, an Iraqi ground, air and naval force of some 140,000 men invaded Kuwait. Within a matter of hours, Iraqi forces were in Kuwait City; within days they were arrayed on the Kuwaiti border with Saudi Arabia, deployed for further aggression. At this point, Iraq was in control of 22% of the world's proven oil reserves.²

The world's response to the invasion that eliminated not only Kuwait oil reserves but threatened those of Saudi Arabia, was quick, severe and virtually unanimous. Iraq's annexation of Kuwait was soundly rejected. On August 2, 1990, President Bush publicly condemned the invasion and asked the United Nations Security Council to demand an Iraqi withdrawal. Immediately, the fifteen countries of the United Nations Security Council³ passed Resolution 660, condemning the aggression and calling for Iraq's

²Ibid.

³At that time the United Nations Security Council was composed of Canada, China, Columbia, Cuba, Ethiopia, Finland, France, Ivory Coast, Malaysia, Romania, Soviet Union, United Kingdom, United States, Yemen and Zaire.

immediate withdrawal. Resolution 660 was the first of a dozen key United Nations resolutions between August and November 1990 which variously imposed economic sanctions, demanded release of foreign nationals from Iraq and Kuwait, permitted use of limited naval force to ensure compliance with economic sanctions, approved food shipments to Iraq and Kuwait for humanitarian purposes, condemned raids by Iraqi troops on diplomatic missions and prohibited non-humanitarian air traffic into Iraq and occupied Kuwait.

The United States was not the only country to respond militarily. Within months of the invasion, a multinational force, representing 27 countries,⁴ was directly involved in a militarily defensive operation known as Operation Desert Shield, or in the maritime enforcement of United Nations economic sanctions. In an unprecedented show of cooperation, ground forces came from all the Gulf Cooperation Council countries, including Kuwait, Egypt, Morocco, Syria, Pakistan, Bangladesh, Saudi Arabia and other Arab countries, the United Kingdom and France. Other allies dispatched significant military forces. The Soviet Union cooperated at the United Nations ensuring unprecedented unanimity in the United Nations Security Council. In addition to military contributions, there were numerous pledges of financial support from countries in the Gulf region as well as from major industrial states, such as Germany and Japan.

By mid-August 1990, 200,000 United States soldiers were stationed in the Persian Gulf. On August 12, 1990, 12,000 members of the National Guard joined them in the first activation of military reserve units. By November 8, 1990, another 200,000 United States soldiers were sent to the Gulf. By the end of 1990, United States soldiers on the ground numbered 500,000. Added to this figure were coalition soldiers, and allied personnel onboard ships in the Theater. Iraq, by November 1990, had 550,000

⁴Countries with forces in place supporting Operation Desert Shield: Argentina, Australia, Bahrain, Bangladesh, Belgium, Canada, Denmark, Egypt, France, Germany, Greece, Italy, Kuwait, Morocco, Netherlands, Niger, Norway, Oman, Pakistan, Qatar, Saudi Arabia, Senegal, Spain, Syria, United Arab Emirates, United Kingdom, United States.

troops in Kuwait.⁵

On November 29, 1990, the United Nations Security Council adopted Resolution 678. Resolution 678 authorized the coalition to "use all necessary means to . . . restore international peace and stability in the area . . ." It also gave Iraq a deadline for complying with this and previous United Nations resolutions: midnight, Eastern Standard Time, January 15, 1991. The vote was 14 – 0 with Yemen abstaining.

Despite the deadline to withdraw and strong international condemnation of Iraq's actions, efforts to negotiate a peaceful solution continued. Furthermore, in January 1991, the 102nd Congress of the United States met to discuss the issue of whether to authorize President Bush to use force to back the United Nations mandate. On January 12, the authorization to use force passed in the Senate by a vote of 52 to 47 and in the House by a vote of 250 to 183.

As the United Nations deadline approached, troops, ships, planes and weapons from the allied nations continued to arrive in Saudi Arabia. The armed forces from the United States included 32,800 Pennsylvanians:⁶ Active, 21,700; Reserves, 9,600; National Guard, 1,500.

The United Nations deadline of January 15, 1991 passed without settlement of the crisis. On the evening of January 17, 1991, a military offensive operation known as Operation Desert Storm began with an air war over Kuwait and Iraq designed to demolish strategic military targets and cut supply lines and communications channels into Kuwait. The air war also concentrated on weakening Iraqi forces in Kuwait in preparation for an anticipated ground war.

During the air war, Iraq fired a number of offensive, indiscriminately targeted missiles into Israel and Saudi Arabia. Many of

⁵War in The Gulf. From the Invasion of Kuwait to the Day of Victory and Beyond, by Thomas B. Allen, F. Clifton Berry, Norman Polmar (CNN), Turner Publishing, Inc., Atlanta, 1991.

⁶Estimated personnel figures are derived from Department of Defense figures as forwarded by the Office of Congressman John P. Murtha. The discussion herein also is applicable to reactivated retirees.

these missiles were intercepted by a defensive missile system; some escaped detection, however, and caused property damage, injuries and loss of life. One of the most tragic events was a missile that exploded over Dharan, Saudi Arabia. Remnants fell on a barracks housing the 14th Quartermaster Corps, an Army Reserve Unit stationed near Greensburg, Pennsylvania. The explosion and fire killed 28 soldiers and wounded 80, some of whom were Pennsylvanians.

President Bush declared that Iraq must withdraw from Kuwait by Saturday, 12 noon, February 23, 1991. Iraq ignored the ultimatum. Promptly on February 23, 1991, allied forces launched a devastating combined infantry and air attack on the Iraqi forces and swiftly routed them. By February 27, 1991, the Iraqi forces that had not surrendered or withdrawn from Kuwait were virtually cut off from their sources of supply.

President Bush addressed the Nation from the White House and declared that "Kuwait is liberated."⁷ Following a meeting between United States and Iraqi military commanders on March 3, 1991, the United Nations mandated a cease-fire on April 11, 1991. An exchange of prisoners then proceeded.

United States soldiers remained in the Persian Gulf Conflict Theater for several months following the liberation of Kuwait and the withdrawal of Iraqi soldiers. A revolt broke out in southern Iraq between Shiite Muslims and the Iraqi government forces. A second revolt broke out in northern Iraq between the Kurds and the Iraqi government forces. United States soldiers were eventually replaced by United Nations peacekeeping troops and most United States troops had returned by mid-summer 1991.

According to releases of the Department of Defense, United States forces in the Persian Gulf Conflict Theater suffered 144 battle fatalities (service personnel killed by the enemy) between August 2, 1990 and May, 1991. Over the same time period, an additional 133 Americans died in the Theater but their deaths, "not the result of action by hostile forces," were attributable to missile accidents, fires and disease.

⁷Office of the Press Secretary, The White House, February 27, 1991.

According to the latest records available as of the publication of this report from the U. S. Department of Defense and the Pennsylvania Department of Military Affairs, 27 Pennsylvanians were killed in the course of the Persian Gulf Conflict and one Pennsylvania prisoner of war was released to U. S. control. There are no remaining prisoners of war or service personnel missing in action.

The task force recommends the payment of compensation to (i) a member of a component of the United States Armed Forces who served on active duty for which the member has received or is eligible to receive the Southwest Asia Service Medal for service related to the Persian Gulf Conflict Theater and (ii) a member of the Pennsylvania National Guard or a reserve component of the Armed Forces of the United States who served on active duty for the support of operations in the Persian Gulf Conflict Theater, whether or not that service was in the theater. It includes time spent in hospitals as a result of service-connected wounds, diseases or injuries sustained on active service.

Compensation is payable under this act only to each veteran who was a legal resident of this Commonwealth. Legal resident is defined as a member of the United States Armed Forces, the Reserve component of the United States Armed Forces and the Pennsylvania National Guard whose home of record at the time of the Persian Gulf Conflict is this Commonwealth without regard to the place of enlistment, commission or induction.

The amount of compensation is computed at one hundred (\$100) dollars for the first month of eligibility with a minimum of one day of active service; thereafter, it is computed on the basis of one hundred (\$100) dollars for each month or major fraction thereof of active service in the Persian Gulf Conflict Theater or time spent in military hospitals as a result of service-connected wounds, diseases or injuries. The Persian Gulf Conflict Theater is defined as the area established by the United States Department of Defense for the award of the Southwest Asia Service Medal for the period of time beginning August 2, 1990 to August 31, 1991. The compensation payable to any veteran for active service shall not be less than one hundred (\$100) dollars nor more than three thousand (\$3,000) dollars. Compensation for a deceased veteran who died in active service as

a result of service—connected wounds, diseases or injuries sustained during active service shall be four thousand (\$4,000) dollars. Similarly, compensation for a prisoner of war shall, regardless of the length of time spent as a prisoner of war, be four thousand (\$4,000) dollars. Individuals who receive a similar bonus, gratuity or compensation from other states are ineligible for compensation. This prohibition does not include Federal benefits, compensation, gratuities or bonuses.

In the case of a veteran who has died as a result of active service in the Persian Gulf Conflict Theater or as a result of wounds, diseases or injuries, payment shall be made to the (i) surviving spouse unless the spouse was living separate and apart from the veteran at the time of departure for active service; (ii) surviving children, share and share alike; or (iii) surviving parents.



SELECTED FEDERAL BENEFITS AVAILABLE TO PERSIAN GULF VETERANS

Federal benefits available to veterans of the Persian Gulf Conflict pursuant to legislation and regulation already existing or newly enacted cover a wide range of benefits including compensation, education, employment, insurance, medical care, health and disability benefits, tax relief and a variety of other services.

Table I shows Federal veterans' benefits paid on account of veterans in Pennsylvania for the years 1984 through 1989. In 1989, total benefits to Pennsylvania veterans amounted to almost \$1.4 billion. Of this total, \$666 million is for compensation and pensions, and an additional \$610 million is for hospital and domiciliary construction, and medical services and their administration. Readjustment benefits, including educational assistance, comprised less than 1% of the total in 1989. The table shows that in 1984, readjustment benefits comprised 4.5% of the total. Federal legislation passed in 1991 will increase total spending on readjustment benefits including education over the next several years.

Compensation

Veterans of the Persian Gulf Conflict are eligible for an increase in the rate of special pay for active duty subject to imminent danger or hostile fire. Special pay is increased from \$110 to \$150 per month, above base pay, retroactive to August 1, 1990 through a 180 day period after the end of the Conflict.⁸ The family separation allowance is increased from \$60 to \$75 per month, retroactive to January 15, 1991 through a similar 180 day period.⁹ Additionally, the death gratuity is temporarily increased to \$6,000

⁸Persian Gulf Conflict Supplemental Authorization and Personnel Benefits Act of 1991 (Pub. L. 102-25) enacted April 6, 1991, Part A.

⁹Ibid.

TABLE I

VETERANS' BENEFITS – SELECTED FEDERAL EXPENDITURES
 PENNSYLVANIA, 1984 – 1989
 (THOUSANDS OF DOLLARS)

Year of Benefit	1984	1985	1986	1987	1988	1989
Total Expenditures	\$1,253,273	\$1,282,742	\$1,310,865	\$1,272,530	\$1,321,476	\$1,395,516
Readjustment Benefits:	56,714	36,527	31,240	20,164	16,864	13,700
Educational Assistance	50,932	31,231	26,511	16,123	11,540	7,376
Vocational Rehab.	4,899	4,695	4,097	3,426	4,608	5,476
Disabled Vet. Transit	543	568	632	615	716	847
Disabled Vet. Housing	341	33	0	0	0	0
Insurance and Indemnities	86,728	95,415	90,986	92,801	95,178	105,009
Hospital & Domiciliary	12,684	19,608	34,955	39,399	46,476	78,471
Medical Services & Adm.	411,163	438,420	452,071	473,141	508,604	532,202
Compensation & Pensions	685,984	692,772	701,613	647,024	654,353	666,134

SOURCE: U. S. Department of Veterans Affairs, ANNUAL REPORT, 1984–1989.

Note: Totals may not add due to rounding.

for a death resulting from any injury or illness incurred during the period August 1, 1990 through the end of the Conflict.¹⁰ This date has yet to be determined.

Special pays are effective from August 1, 1990 for medical and dental officers and from November 5, 1990 for other health officers, including optometrists, certified registered nurse anesthetists and veterinarians.¹¹

Education

Veterans are also eligible for education benefits.¹² Effective October 1, 1991, the basic rate for full-time study under the Montgomery GI Bill-Selected Reserve Program will increase from \$140 to \$170 a month. Effective October 1, 1991, the basic rate for full-time study under the Montgomery GI Bill Program will increase from \$300 to \$350 a month.¹³

The Department of Defense has requested that institutions of higher education voluntarily grant tuition refunds or credits to all students who were members of reserve components and who were ordered to active duty in support of Operations Desert Shield/Desert Storm. A Sense of Congress resolution enacted March 1991 states that "all institutions offering post-secondary education should provide a full refund to any member of the armed forces on active duty in connection with Operations Desert Shield/Desert Storm for that portion of a period of instruction such individual was unable to complete or for which each individual did not receive academic credit, because such individual was called up for such

¹⁰Ibid.

¹¹Released from Active Duty. What Now? A guide for Reserve component members and their families. Pamphlet prepared by the office of the Assistant Secretary of Defense for Reserve Affairs.

¹²Persian Gulf Conflict Supplemental Authorization and Personnel Benefits Act of 1991, Parts C and E.

¹³Ibid., at Section 337. See also Released from Active Duty. What Now?

service."¹⁴ Additionally, the Secretary of Defense has requested the governor of each state to enact new state laws, if necessary, to provide for a refund of tuition and fees and give students the right to return to their college or university when they complete active service.¹⁵ Finally, recent Federal legislation enacted several changes affecting student financial assistance programs, e.g., Pell Grant Program, the Guaranteed Student Loan Program, the Perkins Loan Program, the College Work–Study Program and the Supplemental Educational Program.¹⁶

Employment

Federal law provides a right to reinstatement to pre–service employment, including protection of seniority status and rate of pay. The individual must apply for reinstatement within a specified time limit and meet certain requirements, as follows:

- the individual was called to active duty;
- the individual completed service satisfactorily;
- the individual was not employed in a temporary position (unless the job is for an indefinite period or the individual is probationary); and
- the individual is qualified to perform former duties (if disabled, individual receives nearest comparable job).¹⁷

¹⁴Released from Active Duty. What Now?

¹⁵Several bills pending in the Pennsylvania legislature as of December 1991 concern education: S.B. 181, Pr.'s No. 190 provides scholarships for eligible dependents; S.B. 677, Pr.'s No. 710 creates the Persian Gulf War Veterans' Dependents Scholarship Act; H.B. 859, Pr.'s No. 948 creates the Veterans Tuition Waiver Act; H.B. 1092, Pr.'s No. 2672 provides for scholarship assistance for persons who served in Operations Desert Shield/Desert Storm; H.B. 1797, Pr.'s No. 2150 provides for rates of tuition for certain military personnel and their dependents; H.B. 2050, Pr.'s No. 2556 grants Commonwealth war veterans educational benefits at State–owned universities and provides benefits for families of veterans, and those individuals killed in action, missing in action or taken prisoner of war; H.R. 58, Pr.'s No. 962 requests the Pennsylvania Higher Education Assistance Agency (PHEAA) to extend student loan payment deadlines for individuals serving in the Persian Gulf.

¹⁶Released from Active Duty. What Now?

¹⁷Ibid.

Insurance

The life insurance needs of individuals in the Reserves and National Guard, who are called to active duty, are met through four Veterans Administration (VA) sponsored life insurance programs. The Servicemen's Group Life Insurance (SGLI) is available up to a maximum of \$100,000. It provides full-time coverage for active duty personnel (including Reserves and National Guard). Coverage is automatic (except for retired reservists who must apply for coverage) upon entering into a period of active duty. The Veterans' Group Life Insurance (VGLI) is principally a program of post-separation insurance that provides for the conversion of SGLI to a five year term policy. VGLI is available in amounts up to \$100,000.¹⁸ The Service Disabled Veterans' Insurance (SDV-1) is available in amounts up to \$10,000 to individuals released from active service with a service-connected disability. The Veterans' Mortgage Life Insurance (VMLI) provides financial protection to cover an eligible veteran's outstanding mortgage in the event of death. The maximum amount is \$40,000.¹⁹

Medical Care, Health and Disability Benefits

Both the military and the Veterans Administration administer a comprehensive body of law providing medical care, health and disability benefits. If medical care is required after leaving active duty, it may be given at a military medical treatment facility, at a Department of Veterans Affairs hospital or at a civilian health care facility. The military medical system also evaluates an individual with medical problems to determine whether the disability is severe enough for an entitlement to disability retired pay or disability severance pay. The Department of Veterans Affairs then provides compensation and benefits to the disabled veteran.²⁰

¹⁸38 U.S.C. §§767 and 777. See also Released from Active Duty. What Now?

¹⁹Released from Active Duty. What Now?

²⁰Ibid.

An amendment to the Soldiers' and Sailors' Civil Relief Act of 1940, 54 Stat. 1178 (50 App. U.S.C.A. §501 et seq.), effective as of August 1, 1990 provides for the reinstatement of a veterans health insurance. This provision covers both employer offered plans and other health insurance.

The Department of Veterans Affairs provides service-connected disability compensation to Reserves and to the National Guard. Veterans are eligible for benefits which flow from a disability determination: vocational rehabilitation, specially adapted housing, automobile allowance, clothing allowance and service-connected death and burial benefits.²¹

Tax Relief

The designation of the Persian Gulf Conflict Theater as a combat zone²² triggered a number of Federal tax relief programs²³ for taxpayers serving in Operations Desert Shield/Desert Storm.

Programs provide that enlisted personnel and warrant officers in the combat zone do not have to pay Federal income tax on military pay earned for any month served in the Operations Desert Shield/Desert Storm combat zone. Commissioned officers will not have to pay taxes on the first \$500 earned monthly. The exemptions affect income earned during 1991 only. Furthermore, service members in the combat zone have at least 180 days after leaving the combat zone to file income tax forms. Additionally, the Treasury Department will pay interest on refunds from the normal April 15 filing date until the actual filing date. Similarly, if a service

²¹Ibid.

²²"Combat Zone" includes the following areas in which United States Armed Forces, Reserves and National Guard are and have been engaged in combat: the Persian Gulf, the Red Sea, the Gulf of Oman, the Gulf of Aden, that portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude; the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar and the United Arab Emirates. Executive Order No. 12744, dated January 21, 1991.

²³Pennsylvania has enacted two acts relating to tax relief: act of March 26, 1991 (P.L. 5, No. 3) extends certain personal income tax deadlines for certain members of the armed forces; act of March 26, 1991 (P.L. 3, No. 2) relieves members of the U. S. Armed Forces and others from certain local tax filing deadlines.

member owes money, interest will not be charged if the return is filed within the extended period. Tax collection or audits of a service member serving in Operations Desert Shield/Desert Storm will be delayed until the member returns from the Middle East; service members unable to pay past due Federal income taxes may apply for a deferment if they can show "material impairment," defined as loss of income as a result of military service; if a service member owes back taxes and cannot show "material impairment," the interest rate on the debt will be reduced to 6%.²⁴

Miscellaneous

In addition to the specific benefits enumerated above, veterans are eligible for a wide range of miscellaneous benefits. These benefits include the authorization of the National Defense Service Medal for active duty after August 1, 1990 and the Southwest Asia Service Medal for service in Operations Desert Shield/Desert Storm; the prohibition against deployment or activation of farmers, ranchers, or mothers of newborn children; and other related services for service members and their dependents.

²⁴Released from Active Duty. What Now?

VETERANS' BONUS LEGISLATION IN PENNSYLVANIA

Seven bills providing compensation for war veterans have been enacted in Pennsylvania during this century (Table II). The first two of these acts were never implemented.

The act of May 27, 1921 (P.L. 1178, No. 435), provided for a bonus of \$10 per month of service in World War I, up to a maximum of \$200. It further provided that the means of raising money, "taxation or otherwise," be determined by the General Assembly.

The act of May 16, 1923 (P.L. 236, No. 156), repealed the 1921 act. The 1923 measure again provided for \$10 per month of World War I service, up to a maximum of \$200; in addition, it provided for in-service death benefits of up to \$200. Payment was contingent upon the adoption of a constitutional amendment authorizing the State to increase its bond indebtedness for this specific purpose. Although the General Assembly passed a joint resolution in 1923 and a different resolution in 1925 to so amend the Pennsylvania Constitution, the necessary resolution remained in committee in 1927 and the Constitution was not amended.

In 1933, the Constitution was finally amended following passage of a joint resolution by the General Assembly in 1929 and 1931, and the first bonus act to be implemented in this century was passed in the 1933–1934 Special Session of the legislature. This act, signed January 1, 1934, (Sp. Sess. P.L. 223, No. 53), repealed the 1923 act and provided for bonus payments to veterans of the Spanish–American War (April 1898 to August 1898), and the China Relief Expedition to the Philippines and Guam (April 1898 to July 1902) as well as to veterans of World War I (April 1917 to November 1918). The act provided for \$10 per month of service up to \$200, or a \$200 death benefit.

Following World War II and the Korean Conflict, respectively, the General Assembly again passed bonus legislation (act of June 11, 1947, P.L. 565, No. 248 and act of July 8, 1957, P.L. 569, No. 317), dependent upon

TABLE II
SUMMARY OF BONUSES FOR PRIOR WARS

<u>Act</u>	<u>Eligibility</u>	<u>Compensation</u>	<u>Financing</u>
Act of July 18, 1968 (P.L. 405, No. 183), known as the Vietnam Conflict Veterans' Compensation Act (51 P.S. §§20121–20134).	Any veteran ¹ who was a legal resident ² of this Commonwealth and was eligible to receive the VSM.	\$25 per month of i) active service in Vietnam or ii) time spent in a military hospital with Vietnam service—connected wounds, diseases or injuries. (Maximum \$750). \$1,000 for i) those who died in active service in Vietnam or of Vietnam service—connected wounds, diseases or injuries; or ii) those who are MIA but not declared dead or captured.	Act of May 15, 1969 (P.L. 40, No. 14), known as the Vietnam Conflict Veterans' Compensation Bond Act (51 P.S. §§20135–20147). \$65,000,000.
Act of Dec. 29, 1972 (P.L. 1720, No. 370), known as the Vietnam Conflict Prisoners of War Compensation Act (51 P.S. §§20151–20163).	A returning prisoner of war veteran ³ who was taken prisoner of war while on active armed forces duty.	\$1,000 in addition to compensation under Vietnam Conflict Veterans' Compensation Act.	See above.

¹Veteran includes any member of the armed forces of the United States but does not include (1) any individual at any time during such periods or thereafter separated from such forces under other than honorable conditions; or (2) any individual who has renounced United States citizenship.

²Legal resident of this Commonwealth means any individual who gave Pennsylvania or any specific place in this Commonwealth as his or her place of residence or home address when entering the armed forces of the United States, without regard to the place of enlistment, commission or induction. The proof of such residence shall be either the official records of the United States, or such other evidence of bona fide residence as may be deemed sufficient by the Adjutant General of Pennsylvania.

³Prisoner of war veteran includes any member of the armed forces of the United States eligible to receive the Vietnam Service Medal and who was a prisoner of the Vietcong, North Vietnam or its allies during the Vietnam Conflict, but does not include (1) any individual at any time during such periods or thereafter separated from such forces under other than honorable conditions; (2) any individual who has renounced United States citizenship; or (3) any person who does not qualify as a legal resident of this Commonwealth.

TABLE II (continued)

<u>Act</u>	<u>Eligibility</u>	<u>Compensation</u>	<u>Financing</u>
<p>Act of July 8, 1957 (P.L. 569, No. 317), known as the Korean Conflict Veterans' Compensation Act (51 P.S. §§20091 – 20106).</p>	<p>Any veteran who was a legal resident of this Commonwealth except i) a conscientious objector; ii) an alien discharged on account of alienage.</p> <p>No individual who was a member of the regular armed forces with four years continuous service prior to June 25, 1950, except one awarded the KSM and compensation under the World War II Veterans' Compensation Act, was eligible to receive compensation under this act in a sum which would cause the total compensation to exceed \$500.</p>	<p>\$15 per month of active foreign and/or sea service for veterans awarded or authorized the KSM; \$10 per month thereof of other active service in the military, naval or air forces of the U.S. or any of her allies. (Maximum \$500, except for veterans who served less than 60 days active service.)</p> <p>\$500 for veterans who died in active military service during the period of the conflict.</p>	<p>Act of May 4, 1959 (P.L. 285, No. 39), known as the Korean Conflict Veterans' Compensation Bond Act (51 P.S. §§20107 – 20118).</p> <p>\$150,000,000.</p>

TABLE II (continued)

<u>Act</u>	<u>Eligibility</u>	<u>Compensation</u>	<u>Financing</u>
Act of June 11, 1947 (P.L. 565, No. 248), known as the World War II Veterans' Compensation Act (51 P.S. §§20041–20056).	Any veteran who was a legal resident of this Commonwealth except i) a conscientious objector; ii) an alien discharged on account of alienage.	\$10 per month of active service within the U.S. and \$15 per month of active service without the U.S. in the military or naval forces of the U.S. or allies. (Maximum \$500, except for veterans who served less than 60 days active service.) \$500 for veterans who died in active military service during period.	Act of May 18, 1949 (P.L. 1451, No. 428) (51 P.S. §§20061–20071). \$500,000,000 (\$440,000,000 authorized). Act of June 21, 1961 (P.L. 494, No. 254), known as the Supplemental World War II Veterans' Compensation Bond Act (51 P.S. §§20072–20083). \$1,000,000.
Act of Jan. 5, 1934 (Sp. Sess. P.L. 223, No. 53), known as the Veterans Compensation Act (51 P.S. §§20001–20022).	Any veteran who was a legal resident of this Commonwealth except i) a conscientious objector; ii) an alien discharged on account of alienage. The term did not mention persons who renounced U.S. citizenship.	\$10 per month of active service in the U.S. military or naval forces. (Maximum \$200, except for veterans who served less than 60 days active service.) \$200 for veteran who died in active military service during period.	Act of Jan. 5, 1934 (Sp. Sess. P.L. 219, No. 52) (51 P.S. §§20031–20040). \$50,000,000.

Note: In 1783, land known as Depreciation land was used to redeem certificates of depreciation issued Pennsylvania veterans during the Revolutionary War. In 1785, additional land, known as Donation land, was set aside for a soldiers' bonus.

constitutional amendments. In both instances, the Constitution was amended and payments started approximately two years after the passage of those acts.

Both the 1947 and 1957 acts provided for \$10 per month bonus for domestic service and \$15 per month for foreign service, up to a maximum bonus of \$500. The \$5 premium per month for foreign service during the Korean Conflict was available only to veterans entitled to receive the Korean Service Medal. Each act provided for an in-service death benefit of \$500.

The constitutional amendment for the Korean bonus authorized indebtedness of \$150 million. Bonds were issued totaling \$120 million, and by March 15, 1967, total bonuses of \$94 million had been paid to 349,400 veterans or beneficiaries.

In 1968, the General Assembly passed bonus legislation following the Vietnam Conflict. The act of July 18, 1968 (P.L. 405, No. 183), known as the Vietnam Conflict Veterans' Compensation Act, was not, however, dependent upon a constitutional amendment. Because of amendments to the Constitution, approved in April 1968, debt incurred by referendum does not require a constitutional amendment. Under the provisions of Art. 8, Section 7(a)(3), "Debt may be incurred without limit for purposes specifically itemized in the law authorizing such debt, if the question whether the debt shall be incurred has been submitted to the electors and approved by a majority of those voting on the question." The question of bonuses for veterans of the Vietnam Conflict was approved on November 5, 1968.

The Vietnam Conflict Veterans' Compensation Act provides for \$25 per month bonus for service with a maximum of \$750. It also provides for a \$1,000 death benefit and a \$1,000 benefit for those individuals who are missing in action but not declared dead or captured.

A second act, the act of December 29, 1972 (P.L. 1720, No. 370), known as the Vietnam Conflict Prisoners' of War Compensation Act provides for an additional benefit of \$1,000 for a returning prisoner of war who was taken prisoner.

The referendum for the Vietnam Conflict authorized indebtedness of \$65 million. Bonds were issued totaling \$62 million and as of the closing date of the fund on May 25, 1989 total bonuses of \$57.4 million have been paid to 196,738 veterans or beneficiaries.

Since the enactment of the veterans bonus legislation for Vietnam veterans in 1968, the United States has experienced significant and persistent inflation. The purchasing power of a dollar in January 1992 is about 26 cents in relation to the purchasing power of a dollar in 1968. This implies that a \$100 per month bonus, to be received in the 1992–1995 time period is substantially equivalent to the \$25 per month bonus set in the 1968 veterans' bonus law.

PROPOSED LEGISLATION INCLUDING COMMENTS

The proposed legislation provides compensation to veterans of the Persian Gulf Conflict; authorizes the incurring of indebtedness and the issue and sale of bonds by the Commonwealth of Pennsylvania for the payment of compensation, the cost of preservation and maintenance of records relating to applications for compensation in connection with any war or armed conflict, and the cost of a memorial to Pennsylvania veterans, contingent upon electorate approval; and creates the Persian Gulf Conflict Veterans' Compensation Bond Fund.

Comments are printed below the sections to which they refer.



AN ACT

Providing compensation to persons in active service in connection with the Persian Gulf Conflict or their beneficiaries; authorizing the incurring of indebtedness and the issue and sale of bonds by the Commonwealth for the payment of compensation, the cost of the preservation and maintenance of records relating to applications for compensation in connection with any war or armed conflict and the design and construction of a memorial to veterans of this Commonwealth, contingent upon electorate approval; creating a special fund in the State Treasury to be known as the Persian Gulf Conflict Veterans' Compensation Bond Fund; and making appropriations.

TABLE OF CONTENTS

- Section 1. Short title.
- Section 2. Definitions.
- Section 3. Computation of compensation.
- Section 4. Application for compensation.
- Section 5. Persons to whom payments shall be made in case of
incompetence or death.
- Section 6. Applicant to designate beneficiaries.
- Section 7. Exemption from attachment, etc.
- Section 8. Penalty for charging fees for assisting veterans.
- Section 9. Administration of compensation program.

Section 10. Payment of compensation.

Section 11. Persian Gulf Conflict Veterans' Compensation Bond Fund.

Section 12. Commonwealth indebtedness.

Section 13. Appropriations.

Section 14. Question.

Section 15. Applicability.

Section 16. Effective date.

The General Assembly of the Commonwealth of Pennsylvania hereby enacts as follows:

Section 1. Short title.

This act shall be known and may be cited as the Persian Gulf Conflict Veterans' Compensation and Bond Act.

Section 2. Definitions.

The following words and phrases when used in this act shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Active service." For a member of a component of the armed forces of the United States, the time served on active duty for which the member

has received or is eligible to receive the Southwest Asia Service Medal for service related to the Persian Gulf Conflict Theater; for a member of the Pennsylvania National Guard or a reserve component of the armed forces of the United States, time served on active duty for the support of operations in the Persian Gulf Conflict Theater whether or not that service was in the theater. The term includes time spent in hospitals as a result of service-connected wounds, diseases or injuries sustained on active service. Proof of such service shall be the official military records of the United States or such other evidence as is deemed sufficient by the Adjutant General. The term does not include time served on active duty for annual training or schooling, except for training and schooling in preparation for active duty in the Persian Gulf Conflict Theater.

"Fund." The Persian Gulf Conflict Veterans' Compensation Bond Fund.

"Issuing officials." The Governor, the Auditor General and the State Treasurer.

"Legal resident of this Commonwealth." A member of the United States Armed Forces, the reserve component of the United States Armed

Forces and the Pennsylvania National Guard whose home of record at the time of the Persian Gulf Conflict was this Commonwealth or any specific place in this Commonwealth without regard to the place of enlistment, commission or induction. The proof of such residence shall be the official records of the United States or such other evidence as is deemed sufficient by the Adjutant General.

"Persian Gulf Conflict Theater." The area defined as the Persian Gulf Conflict Theater of Operations as established by the United States Department of Defense for the awarding of the Southwest Asia Service Medal for the period of time from August 2, 1990, through August 31, 1991.

"Veteran." A member of a component of the armed forces of the United States who had active service in the Persian Gulf Conflict Theater or a member of the Pennsylvania National Guard or a reserve component of the armed forces who had active service for the support of operations in the Persian Gulf Conflict Theater. The term does not include an individual who was separated from the armed forces under other than honorable conditions, had renounced his United States citizenship or was called to

active duty for the purpose of annual training or schooling.

Comment: As used in this act, "Pennsylvania National Guard" includes both Pennsylvania Army National Guard and Pennsylvania Air National Guard. See Military Code, 51, Pa.C.S. §102. Retired veterans of the United States Armed Forces, the Reserve component of the United States Armed Forces and the Pennsylvania National Guard who have been reactivated are considered to have served on active service in the Persian Gulf Conflict Theater.

"Legal resident of this Commonwealth." Restricting this term to those individuals "whose home of record at the time of the Persian Gulf Conflict Theater is this Commonwealth or any specific place in this Commonwealth" narrows the range of individuals eligible for the compensation by excluding residents of other states who served in Pennsylvania units. Participation in the Persian Gulf Conflict Theater, as designated by the Southwest Asia Service Medal, will determine eligibility for active duty personnel; being activated and providing supportive service during Operations Desert Shield/Desert Storm will qualify members of the Reserve, Pennsylvania National Guard and reactivated retirees.

"Persian Gulf Conflict Theater." Executive Order No. 12754, dated March 12, 1991, which established the Southwest Asia Medal to be awarded to all members of the United States Armed Forces serving in Southwest Asia and contiguous waters or airspace thereover, stated the time for eligibility as "on or after August 2, 1990 to a date to be determined." The task force recommends that the date certain be determined as August 31, 1991.

Section 3. Computation of compensation.

(a) Eligibility.—Compensation shall be payable under this act only to each veteran who was a legal resident of this Commonwealth.

(b) Compensation for service in the Persian Gulf.—Compensation shall be payable on the basis of \$100 for the first month of eligibility with a minimum of one day of active service; thereafter, it shall be computed on the basis of \$100 for each month or major fraction thereof.

(c) Compensation on behalf of a deceased veteran.—In addition to

any other compensation authorized under this section, the compensation on behalf of a veteran who died in active service or as a result of service—connected wounds, diseases or injuries sustained during active service shall be \$4,000.

(d) Compensation of prisoner of war.—In addition to any compensation under the other provisions of this section, the compensation of a veteran who was declared a prisoner of war, regardless of the length of time spent as a prisoner of war, shall, upon return, be \$4,000.

(e) Total amount of compensation.—The compensation provided for active service under subsection (b) shall be not less than \$100 and not more than \$3,000.

(f) Exclusion from compensation.—Any individual who has received a bonus, gratuity or compensation of a nature similar to that provided for by this act from any other state in the United States is ineligible for compensation. This exclusion does not apply to a similar bonus, gratuity or compensation from the Federal Government.

Comment: These compensation amounts are set so as to be substantially equivalent in purchasing power to those granted under the Vietnam Conflict Veterans' and Prisoners of War Compensation Act. See p. 26 of this report.

Section 4. Application for compensation.

(a) Application to Adjutant General.—Applications shall be made

by a veteran, the facility entitled under section 5(a) or the beneficiaries designated under section 5(b). The Adjutant General shall ascertain the applicants who are veterans and, as to each veteran, the number of months of service for which the veteran is entitled to receive compensation.

(b) Time for filing application.--The Adjutant General shall not accept or consider any application filed after August 31, 1995.

Section 5. Persons to whom payments shall be made in case of incompetence or death.

(a) Incompetence.--In a case where the veteran is incompetent, if no guardian has been appointed, payment shall be made for the benefit of the veteran to the person who is entitled to payment under subsection (b), or, in the absence of any such person and if the veteran is in a facility, to the person in charge of the facility to be expended for the clothing and incidental needs of the veteran. No part of the compensation paid to any facility shall be used for the maintenance of the veteran. A statement from the person in charge of the facility in which the veteran resides shall be evidence to determine the competence of the veteran.

(b) Death.--In the case of the death of a veteran, payment shall be made, in the order named, to the:

(1) surviving spouse unless the spouse was living separate and apart from the veteran at the time of departure for active service;

(2) surviving children, share and share alike; or

(3) surviving parents.

(c) Definitions.—As used in this section, the following words and phrases shall have the meanings given to them in this subsection:

"Facility." Any mental health establishment, hospital, clinic, institution, center, day-care center, base service unit, community mental health center or other organizational unit, or part thereof, which is devoted primarily to the diagnosis, treatment, care, rehabilitation or detention of mentally disabled persons.

"Parents." Includes persons who, for a period of not less than one year, acted in the capacity of a foster parent to the veteran immediately prior to the veteran having attained 18 years of age.

Comment: The distribution provided under this section prevails over that which would otherwise obtain under the Probate, Estates and Fiduciaries Code or any other applicable law. The payment is not to be made to the general estate of a deceased veteran.

Section 6. Applicant to designate beneficiaries.

Every person making application for compensation shall set forth in the application the names and addresses of all persons who, under this act, would be entitled to receive compensation in the event of the death of the applicant. If the applicant dies before the payment of the compensation, the application shall be deemed to inure to the benefit of the person next

entitled to compensation, and payment shall be made to the person upon proof of identity satisfactory to the Adjutant General. If no person designated in this act as being entitled to compensation survives the veteran, the right to the compensation shall cease.

Comment: See comment to Section 5.

Section 7. Exemption from attachment, etc.

No sum payable under this act to a veteran or to any other person under this act shall be subject to attachment, levy or seizure under any legal or equitable process and shall be exempt from all State taxation. No right to compensation under this act shall be assignable, except as otherwise provided in this act, or shall serve as a security for any loan. Any assignment or loan made in violation of this section shall be void. Assignments to any incorporated or unincorporated organization of veterans, any nonprofit corporation formed solely for the purpose of aiding disabled or incapacitated veterans and the State Veterans' Commission shall be valid.

Section 8. Penalty for charging fees for assisting veterans.

A person who charges or collects, or attempts to charge or collect, either directly or indirectly, any fee or other compensation for assisting, in any manner, a veteran in obtaining any of the benefits provided under this act commits a misdemeanor of the second degree.

Section 9. Administration of compensation program.

The Adjutant General shall administer the compensation program. For that purpose application forms shall be prepared and distributed, applications shall be investigated, and, if satisfied of the proof of an application, compensation shall be approved and payment of compensation shall be made. The Adjutant General shall promulgate rules and regulations to implement, administer and enforce this act. The Adjutant General shall, as soon as practicable after the effective date of this act, prepare and distribute a digest explaining the provisions of this act to assist veterans in filing their applications and shall, from time to time, prepare and distribute additional or supplementary information as may be found necessary. The Adjutant General shall enlist, as far as possible, the services of veteran organizations in this Commonwealth in the dissemination of the information.

Section 10. Payment of compensation.

The compensation payable under this act shall, upon requisition by the Adjutant General, be paid by the State Treasurer from the fund, to be created with funds realized from a proposed bond issue. Payments shall be made as soon as possible after funds are available.

Section 11. Persian Gulf Conflict Veterans' Compensation Bond Fund.

(a) Purpose of fund.--The Persian Gulf Conflict Veterans'

Compensation Bond Fund, which is hereby created in the State Treasury, shall be the source from which all payments are authorized with the approval of the Governor to carry out the purposes of this act. The moneys in the fund shall only be utilized:

(1) For the purpose of providing compensation to veterans in accordance with the provisions of this act.

(2) For the purpose of providing for the preservation and maintenance of records relating to applications for compensation in connection with any war or armed conflict.

(3) For payment of the cost of designing and constructing a patriotic monument or memorial in appreciation of veterans of this Commonwealth.

(4) For the administrative costs incurred in any of the foregoing purposes, including the costs incurred in connection with the issuance of the bonds.

(b) Interfund transfers authorized.--

(1) Whenever the cash balance and the current estimated receipts of the fund shall be insufficient at any time during any State fiscal year to meet promptly the obligations of the Commonwealth from such fund, the State Treasurer is hereby authorized and directed, from time to time during such fiscal year, to transfer from

the General Fund to the fund such sums as the Governor directs, but in no case less than the amount necessary to meet promptly the obligations to be paid from the fund nor more than an amount which is the smallest of:

(i) the difference between the amount of debt authorized to be issued under the authority of this act and the aggregate principal amount of bonds and notes, not including refunding bonds and replacement notes, issued; and

(ii) the difference between the aggregate principal amount of bonds and notes permitted under section 12(e) to be issued during a State fiscal year and the aggregate principal amount of bonds and notes, not including refunding bonds and replacement notes, issued during such State fiscal year.

Any sums so transferred shall be available only for the purposes for which funds are appropriated from the fund. The transfers shall be made under this section upon warrant of the State Treasurer upon requisition of the Governor.

(2) In order to reimburse the General Fund for moneys transferred from such funds under paragraph (1), there shall be transferred to the General Fund from the fund moneys from the

proceeds obtained from bonds and notes issued under the authority of this act or from other available funds in such amounts and at such times as the Governor shall direct. Such retransfers shall be made upon warrant of the State Treasurer upon requisition of the Governor.

Comment: The Pennsylvania Historical and Museum Commission reports that the Commission has State bonus records for World War I and World War II and some records from the Korean Conflict. The Department of Military Affairs, Bureau of Veterans Affairs, also has some records from the Korean Conflict and all of the records from the Vietnam Conflict. Many of these records are deteriorating and the estimated cost of conserving and maintaining bonus records for the foregoing wars is \$250,000.

The act of April 29, 1988 (P.L. 381, No. 60) establishes the Pennsylvania Veterans' Memorial Commission which is empowered to erect a monument or memorial to honor all Pennsylvania veterans who served in all armed conflicts in which the United States was a participant.

Section 12. Commonwealth indebtedness.

(a) Borrowing authorized.--

(1) If and when the electorate approves a referendum question for the incurring of indebtedness in the amount and for the purposes prescribed in this act, the issuing officials, pursuant to the provisions of section 7(a)(3) of Article VIII of the Constitution of Pennsylvania, are authorized and directed to borrow, on the credit of the Commonwealth, money not exceeding in the aggregate the sum of \$50,000,000, not including money borrowed to refund

outstanding bonds, notes or replacement notes, as may be found necessary to carry out the purposes of this act.

(2) As evidence of the indebtedness, general obligation bonds of the Commonwealth shall be issued, from time to time, to provide moneys necessary to carry out the purposes of this act for such total amounts, in such form, in such denominations and subject to such terms and conditions of issue, redemption and maturity, rate of interest and time of payment of interest as the issuing officials direct, except that the latest stated maturity date shall not exceed 20 years from the date of the first obligation issued to evidence the debt.

(3) All bonds and notes issued under the authority of this act shall bear facsimile signatures of the issuing officials and a facsimile of the Great Seal of Pennsylvania and shall be countersigned by a duly authorized officer of a duly authorized loan and transfer agent of the Commonwealth.

(4) All bonds and notes issued in accordance with the provisions of this section shall be direct obligations of the Commonwealth, and the full faith and credit of the Commonwealth is hereby pledged for the payment of the interest thereon, as it becomes due, and the payment of the principal at maturity. The principal of and interest on the bonds and notes shall be payable in

lawful money of the United States.

(5) All bonds and notes issued under the provisions of this section shall be exempt from taxation for State and local purposes.

(6) The bonds may be issued as coupon bonds or registered as to both principal and interest as the issuing officials may determine. If interest coupons are attached, they shall contain the facsimile signature of the State Treasurer.

(7) The issuing officials shall provide for the amortization of the bonds in substantial and regular amounts over the term of the debt so that the bonds of each issue allocated to the programs to be funded from the bond issue shall mature within a period not to exceed the appropriate amortization period for each program as specified by the issuing officials but in no case in excess of 20 years. The first retirement of principal shall be stated to mature prior to the expiration of a period of time equal to one-tenth of the time from the date of the first obligation issued to evidence the debt to the date of the expiration of the term of the debt. Retirements of principal shall be regular and substantial if made in annual or semiannual amounts whether by stated serial maturities or by mandatory sinking fund retirements.

(8) The issuing officials are authorized to provide by

resolution for the issuance of refunding bonds for the purpose of refunding any debt issued under the provisions of this act and then outstanding, either by voluntary exchange with the holders of the outstanding debt or providing funds to redeem and retire the outstanding debt with accrued interest, any premium payable thereon and the costs of issuance and retirement of the debt, at maturity or at any call date. The issuance of the refunding bonds, the maturities and other details thereof, the rights of the holders thereof and the duties of the issuing official in respect thereto shall be governed by the provisions of this section, insofar as they may be applicable. Refunding bonds, which are not subject to the aggregate limitation of \$50,000,000 of debt to be issued under this act, may be issued by the issuing officials to refund debt originally issued or to refund bonds previously issued for refunding purposes.

(9) Whenever any action is to be taken or decision made by the Governor, the Auditor General and the State Treasurer acting as issuing officials and the three officers are not able unanimously to agree, the action or decision of the Governor and either the Auditor General or the State Treasurer shall be binding and final.

(b) Sale of bonds.—

(1) Whenever bonds are issued, they shall be offered for sale

at not less than 98% of the principal amount and accrued interest and shall be sold by the issuing officials to the highest and best bidder or bidders after due public advertisement on the terms and conditions and upon such open competitive bidding as the issuing officials shall direct. The manner and character of the advertisement and the time of advertising shall be prescribed by the issuing officials. No commission shall be allowed or paid for the sale of any bonds issued under the authority of this act.

(2) Any portion of any bond issue so offered and not sold or subscribed for at public sale may be disposed of by private sale by the issuing officials in such manner and at such prices, not less than 98% of the principal amount and accrued interest, as the Governor shall direct. No commission shall be allowed or paid for the sale of any bonds issued under the authority of this act.

(3) When bonds are issued from time to time, the bonds of each issue shall constitute a separate series to be designated by the issuing officials or may be combined for sale as one series with other general obligation bonds of the Commonwealth.

(4) Until permanent bonds can be prepared, the issuing officials may in their discretion issue, in lieu of permanent bonds, temporary bonds in such form and with such privileges as to

registration and exchange for permanent bonds as may be determined by the issuing officials.

(5) The proceeds realized from the sale of bonds and notes, except refunding bonds and replacement notes, under the provisions of this act shall be paid into the fund. The proceeds shall be paid by the State Treasurer periodically to those Commonwealth officers and Commonwealth agencies authorized to expend them at such times and in such amounts as may be necessary to satisfy the funding needs thereof. The proceeds of the sale of refunding bonds and replacement notes shall be paid to the State Treasurer and applied to the payment of principal, the accrued interest and premium, if any, and cost of redemption of the bonds and notes for which the obligations shall have been issued.

(6) Pending their application for the purposes authorized, moneys held or deposited by the State Treasurer may be invested or reinvested as are other funds in the custody of the State Treasurer in the manner provided by law. All earnings received from the investment or deposit of the funds shall be paid into the State Treasury to the credit of the fund. The earnings in excess of bond discounts allowed, expenses paid for the issuance of bonds and notes and interest arbitrage rebates due to the Federal Government shall be transferred annually to the fund. Any interest or investment

income shall be applied to assist in the payment of the debt service incurred in connection with this act.

(7) The Auditor General shall prepare the necessary registry book to be kept in the office of the duly authorized loan and transfer agent of the Commonwealth for the registration of any bonds, at the request of owners thereof, according to the terms and conditions of issue directed by the issuing officials.

(8) There is hereby appropriated to the State Treasurer from the fund as much money as may be necessary for all costs and expenses in connection with the issue of and sale and registration of the bonds and notes in connection with this act and the payment of interest arbitrage rebates or proceeds of such bonds and notes.

(c) Temporary financing authorization.—

(1) Pending the issuance of bonds of the Commonwealth as authorized, the issuing officials are hereby authorized, in accordance with the provisions of this act and on the credit of the Commonwealth, to make temporary borrowings not to exceed three years in anticipation of the issue of bonds in order to provide funds in such amounts as may, from time to time, be deemed advisable prior to the issue of bonds. In order to provide for and in connection with the temporary borrowings, the issuing officials are

hereby authorized in the name and on behalf of the Commonwealth to enter into any purchase, loan or credit agreement or agreements, or other agreement or agreements with any banks or trust companies or other lending institutions, investment banking firms or persons in the United States having power to enter into the same, which agreements may contain provisions not inconsistent with the provisions of this act as may be authorized by the issuing officials.

(2) All temporary borrowings made under the authorization of this section shall be evidenced by notes of the Commonwealth, which shall be issued, from time to time, for amounts not exceeding in the aggregate the applicable statutory and constitutional debt limitation, in the form and in the denominations and subject to terms and conditions of sale and issue, prepayment or redemption and maturity, rate or rates of interest and time of payment of interest as the issuing officials shall authorize and direct and in accordance with this act. Such authorization and direction may provide for the subsequent issuance of replacement notes to refund outstanding notes or replacement notes, which replacement notes shall, upon issuance thereof, evidence the borrowing, and may specify other terms and conditions with respect to the notes and replacement notes thereby authorized for issuance as the issuing

officials may determine and direct.

(3) When the authorization and direction of the issuing officials provide for the issuance of replacement notes, the issuing officials are hereby authorized in the name and on behalf of the Commonwealth to issue, enter into or authorize and direct the State Treasurer to enter into agreements with any banks, trust companies, investment banking firms or other institutions or persons in the United States having the power to enter the same:

(i) To purchase or underwrite an issue or series of issues or notes.

(ii) To credit, to enter into any purchase, loan or credit agreements, to draw moneys pursuant to any such agreements on the terms and conditions set forth therein and to issue notes as evidence of borrowings made under any such agreements.

(iii) To appoint as issuing and payment agent or agents with respect to notes.

(iv) To do such other acts as may be necessary or appropriate to provide for the payment, when due, of the interest on and the principal of such notes.

Such agreements may provide for the compensation of any

purchasers or underwriters of notes or replacement notes by discounting the purchase price of the notes or by payment of a fixed fee or commission at the time of issuance thereof, and all other costs and expenses, including fees for agreements related to the notes, issuing and paying agent costs and costs and expenses of issuance, may be paid from the proceeds of the notes.

(4) When the authorization and direction of the issuing officials provide for the issuance of replacement notes, the State Treasurer shall, at or prior to the time of delivery of these notes or replacement notes, determine the principal amounts, dates of issue, interest rate or rates, or procedures for establishing such rates from time to time, rates of discount, denominations and all other terms and conditions relating to the issuance and shall perform all acts and things necessary to pay or cause to be paid, when due, all principal of and interest on the notes being refunded by replacement notes and to assure that the same may draw upon any moneys available for that purpose pursuant to any purchase, loan or credit agreements established with respect thereto, all subject to the authorization and direction of the issuing officials.

(5) Outstanding notes evidencing such borrowings may be funded and retired by the issuance and sale of the bonds of the

Commonwealth as hereinafter authorized. The refunding bonds must be issued and sold not later than a date three years after the date of issuance of the first notes evidencing the borrowings to the extent that payment of such notes has not otherwise been made or provided for by sources other than proceeds of replacement notes.

(6) The proceeds of all such temporary borrowing shall be paid to the State Treasurer to be held and disposed of in accordance with the provisions of this act.

(d) Debt retirement. --

(1) All bonds issued under the authority of this act shall be redeemed at maturity, together with all interest due, from time to time, on the bonds, and these principal and interest payments shall be paid from the Persian Gulf Conflict Veterans' Compensation Bond Sinking Fund, which is hereby created. For the specific purpose of redeeming the bonds at maturity and paying all interest thereon in accordance with the information received from the Governor, the General Assembly shall appropriate moneys to the Persian Gulf Conflict Veterans' Compensation Bond Sinking Fund for the payment of interest on the bonds and notes and the principal thereof at maturity. All moneys paid into the Persian Gulf Conflict Veterans' Compensation Bond Sinking Fund and all of the moneys not

necessary to pay accruing interest shall be invested by the State Treasurer in such securities as are provided by law for the investment of the sinking funds of the Commonwealth.

(2) The State Treasurer, with the approval of the Governor, is authorized at any time to use any of the moneys in the fund not necessary for the purposes of the referendum authorizing the indebtedness necessary to carry out this act, for the purchase and retirement of all or any part of the bonds and notes issued pursuant to the authorization of this act. In the event that all or any part of the bonds and notes are purchased, they shall be canceled and returned to the loan and transfer agent as canceled and paid bonds and notes, and thereafter all payments of interest thereon shall cease. The canceled bonds, notes and coupons, together with any other canceled bonds, notes and coupons, shall be destroyed as promptly as possible after cancellation but not later than two years after cancellation. A certificate evidencing the destruction of the canceled bonds, notes and coupons shall be provided by the loan and transfer agent to the issuing officials. All canceled bonds, notes and coupons shall be so marked as to make the canceled bonds, notes and coupons nonnegotiable.

(3) The State Treasurer shall determine and report to the

Secretary of the Budget by November 1 of each year, the amount of money necessary for the payment of interest on outstanding obligations and the principal of the obligations, if any, for the following fiscal year and the times and amounts of the payments. It shall be the duty of the Governor to include in every budget submitted to the General Assembly full information relating to the issuance of bonds and notes under the provisions of this act and the status of the Persian Gulf Conflict Veterans' Compensation Bond Sinking Fund of the Commonwealth for the payment of interest on the bonds and notes and the principal thereof at maturity.

(4) The General Assembly shall appropriate an amount equal to the sums as may be necessary to meet repayment obligations for principal and interest for deposit into the Persian Gulf Conflict Veterans' Compensation Bond Sinking Fund.

(e) Annual limitation on debt obligations issued.—

(1) Except as provided in paragraph (2), bonds and notes, not including refunding bonds or replacement notes, as authorized herein, shall not be issued in the aggregate principal amount of more than \$25,000,000 during any one State fiscal year. Any interfund transfers made or to be made pursuant to section 11(b)(1)

during any State fiscal year may not be made, or cause to be outstanding at any time, in any amount greater than the difference between \$25,000,000 and the aggregate principal amount of bonds and notes, not including refunding bonds or replacement notes, issued under the authority of this act during that State fiscal year.

(2) Notwithstanding the limitation of paragraph (1), the issuing officials may authorize the issuance of an additional \$10,000,000, or such lesser amount as they deem appropriate, of the \$50,000,000 authorized by this act if the Adjutant General submits satisfactory evidence of a need for such additional sum during any one State fiscal year.

(f) Expiration.—Authorization to issue bonds and notes, not including refunding bonds and replacement notes, for the purposes of this act shall expire ten years from the effective date of this section.

Comment: The amount of \$50 million is calculated based on the number of individuals who served during the Persian Gulf Conflict: the total of 32,800 represents 21,700 on Active Duty, 9,600 Reservists, 1,500 National Guard. (For the number of Pennsylvanians listed as killed, missing in action, and prisoners of war, see p. 10 of this report.) If every veteran (those serving on active and support service, deceased and prisoners of war) received the maximum amount for the 13 months spent in the Persian Gulf Conflict, the total amount would be approximately \$41 million. Amounts estimated to be spent for the memorial and the preservation of records increase the total to approximately \$43 million.

Section 13. Appropriations.

(a) Compensation appropriation.—For the purpose of payment for the compensation to eligible veterans, staff services, postage and other necessary expenses incurred by the Adjutant General in the administration of this compensation program, such sums, or as much thereof as may be necessary, are specifically appropriated to the Adjutant General out of any moneys which have been deposited in the Persian Gulf Conflict Veterans' Compensation Bond Fund.

(b) Preservation and maintenance of records.—For the purpose of providing for the preservation and maintenance of records relating to applications for compensation in connection with any war or armed conflict, sums as may be necessary, in an amount not to exceed \$250,000, are specifically appropriated to the Adjutant General out of any moneys which have been deposited in the fund for transfer to the Pennsylvania Historical and Museum Commission at such times and in such amounts as the Adjutant General deems reasonable and appropriate.

(c) Veterans' memorial.—For the purpose of designing and constructing a patriotic monument or memorial on the grounds of Indiantown Gap National Cemetery in appreciation of veterans of this Commonwealth as authorized by 51 Pa.C.S. Ch. 19 (relating to Pennsylvania Veterans' Memorial Commission), a sum not to exceed \$1,500,000 is hereby appropriated to the Adjutant General from the fund

for transfer at such times and in such amounts as the Adjutant General deems reasonable and appropriate to the Veterans' Memorial Trust Fund.

(d) Continuing appropriations.—The appropriations under subsections (a), (b) and (c) shall be continuing appropriations and shall not lapse.

Section 14. Question.

(a) Submission of question to electorate.—The question of incurring indebtedness of up to \$50,000,000 for the purposes set forth in this act shall be submitted to the electors at the next primary, municipal or general election following enactment of this act.

(b) Certification.—The Secretary of the Commonwealth shall certify the question to the county boards of elections.

(c) Form of question.—The question shall be in substantially the following form:

Do you favor indebtedness by the Commonwealth of up to \$50,000,000 for the payment of compensation for service in the Persian Gulf Conflict, including \$250,000 for the cost of preserving and maintaining records relating to applications for compensation in connection with any war or armed conflict and \$1,500,000 for the cost of designing and constructing a patriotic monument or memorial in

appreciation of Pennsylvania's veterans?

(d) Election.—The election shall be conducted in accordance with the act of June 3, 1937 (P.L.1333, No.320), known as the Pennsylvania Election Code, except that the time limits for advertisement of notice of the election may be waived as to the question.

(e) Proceeds.—Proceeds of the borrowing shall be used for the payment of compensation for service in or in support of the Persian Gulf Conflict, including \$250,000 for the cost of preserving and maintaining records relating to applications for compensation in connection with any war or armed conflict and \$1,500,000 for the cost of designing and constructing a patriotic monument or memorial in appreciation of veterans of this Commonwealth.

Section 15. Applicability.

This act shall apply as follows:

(1) Section 14(a), (b), (c) and (d) of this act shall apply immediately.

(2) The remainder of this act shall apply upon the certification of the approval by the electorate to incur the indebtedness necessary to carry out the provisions of this act.

Section 16. Effective date.

This act shall take effect as follows:

(1) Section 14(a), (b), (c) and (d) of this act shall take effect

immediately.

(2) The remainder of this act shall take effect upon the certification of the approval by the electorate to incur the indebtedness necessary to carry out the provisions of this act.