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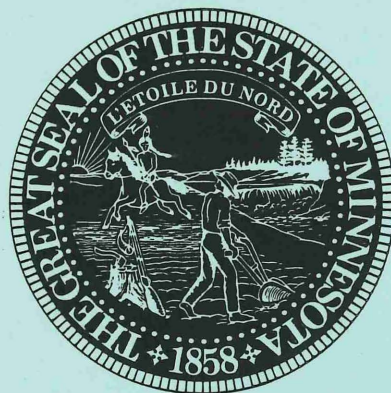
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Governor's Special Advisory Commission on the National Guard

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March 1988

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Stephen G. Wenzel
District 13B
Morrison-Crow Wing-Cass Counties
Little Falls, Minnesota



Minnesota House of Representatives

Fred C. Norton, Speaker

Committees:
Agriculture, Chairman
Education
Financial Institutions and Insurance
Labor-Management Relations

February 25, 1988

The Honorable Rudy Perpich
Governor of Minnesota
130 State Capitol
St. Paul, Minnesota 55155

Dear Governor Perpich:

I have enclosed for your review and consideration the report of the Governor's Special Advisory Commission on the Minnesota National Guard.

This report contains the recommendations unanimously adopted by the members of the bipartisan panel you appointed, and follows the guidelines and directives you authorized in the creation of the Governor's Special Advisory Commission on the Minnesota National Guard.

The members of the Commission thoroughly studied and reviewed the issue of incentives for Members of the Minnesota National Guard as it related to enlistment, retention, and achievement of federally required authorized strength in the National Guard.

We believe the recommendations contained in this report, to be considered for approval during the 1988 legislative session, if adopted into law, will make for a strong National Guard that will continue to serve the best interests of both the State of Minnesota and our nation. We are recommending that the tax exclusion for military pay that the Minnesota Legislature mistakenly repealed as part of the 1987 Omnibus Tax Bill, be restored retroactively to January, 1987.

We cannot overemphasize the great importance of our having and maintaining a strong and effective National Guard. Today's modern National Guard is a key component in the national defense strategy of our nation as mandated by the Congress and the President. This great responsibility has required of our Minnesota National Guard members the most sophisticated and advanced technological training, making for very, very difficult and hard work and great dedication from each and every one of our National Guard members. This continued, advanced training is in addition to the many services and duties National Guard members have performed for our state in times of emergency and disasters. I sincerely commend you for your efforts and leadership in presenting the idea of a commission to study this issue and make recommendations to you.

The Honorable Rudy Perpich
February 25, 1988
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I want to personally and publicly thank the members of the Commission for the dedication, long hours, and hard work they put into the completion of this report. I want to thank General James Sieben and the Department of Military Affairs and the National Guard Bureau in Washington, D.C. for the resources and information they provided on request to the members of the Commission, and in making the General's staff available to the Commission for answering relevant questions. I want to thank Joel Michael, from House Research staff, for his assistance in the preparation of this report; Nick Riley from the Governor's staff for his coordination of Commission meetings; Mary Ann Goschy for providing secretarial assistance to Commission meetings; and Patrick Plonski for his assistance at Commission meetings.

We are confident that the information and recommendations contained in this report will be useful to the members of the Minnesota Legislature.

Thank you.

Sincerely,

A handwritten signature in black ink that reads "Steve Wenzel". The signature is fluid and cursive, with a long horizontal stroke at the end.

Steve Wenzel
State Representative and Chairman
Governor's Special Advisory Commission
on the Minnesota National Guard

REPORT OF THE GOVERNOR'S SPECIAL ADVISORY COMMISSION ON THE NATIONAL GUARD

February 25, 1988

On October 14, 1987 Governor Rudy Perpich established the Special Advisory Commission on the National Guard to examine ways to encourage membership in Minnesota National Guard. The Commission is charged with making recommendations to the Governor on state incentives for service in the National Guard. The Commission's recommendation will be considered for inclusion in the Governor's 1988 budget and legislative proposals.

The members of the Commission are Representative Stephen G. Wenzel, chairman; Senator Joe Bertram, Sr., vice chairman; Representatives Patrick Beard, Kathleen Blatz, Norman R. DeBlieck, Rick Krueger, Marcus M. Marsh, Bernie Omann, Gene P. Pelowski, and William H. Schreiber; Senators Tad Jude, Gary W. Laidig, James C. Pehler, and Don Samuelson; and Frank Adams, Carol Bartels, Curt Cotton, William Faber, and Donald Meyer.

BACKGROUND

Mission of the Minnesota National Guard

The Minnesota National Guard has two missions. It is responsible and responsive to both the state and federal governments.

The Minnesota National Guard's state mission is threefold:

- (1) providing units to protect life and property and to preserve peace, order and assure public safety under the order of the Governor,
- (2) providing temporary shelter for civilians in time of emergencies and disasters, and
- (3) raising, organizing, equipping, and training a State Guard to replace the National Guard if it is mobilized.

Personnel and Budget

Personnel. The members of National Guard are comprised mostly of part-time soldiers and airmen. These men and women sacrifice a large amount of personal and family time in order to serve in the Guard. Enlisted members average 47 days per year on some type of National Guard duty, while officers average 71 duty days per year.

Present Personnel Levels. The Minnesota Guard currently has an authorized force level of 13,472. The present complement is 12,701, or 771 short of the authorized levels. The Minnesota Guard has increased in strength by over 2100 persons in the last seven years. However, since April, 1987 the number of Guard members has declined by over 300 persons.

Federal Funding. The National Guard's activities are primarily financed from federal revenue sources. Over 95 percent of the Minnesota Guard's budget is derived from federal funds. Of 2100 full time employees, over 1700 are fully-funded from federal resources.

State Funding. The state appropriated \$5.9 million for fiscal year 1988 to support National Guard operations. However, through the tax on federally financed Guard salaries the state recoups all of this appropriation in increased state income tax receipts. Additional sales and other tax receipts are generated by the inflow of federal funds for National Guard operations and activities. This suggests that the state recoups more in revenues than the amount of appropriations for National Guard operations.

Recruitment and Retention Needs

Benefits of a Full Strength Guard. Achieving and maintaining a Minnesota National Guard force at 100 percent of its authorized level will provide valuable benefits to the state. These include the following.

- (1) Full strength units are better able to perform their tasks.
- (2) States meeting their nationally-assigned strength levels are more likely to receive a larger share of the federal budget allocation for the National Guard. This includes more full-time employee positions and more funds for capital improvements such as armories and improvements at National Guard camps.
- (3) Each additional Guard member adds a minimum of \$5000 per year to the state's economy in salary and other payments.

Future Recruitment and Retention Challenges. In the future, greater efforts will need to be made to recruit and retain Guard members to achieve the goal of 100 percent of the authorized levels. It is likely that the state's authorized strength will be increased. Furthermore, the target population of 17 to 29 year old individuals is declining as the baby boom ages. Because of this decline, 1 out of every 12 persons in the mid-1990s will need to enlist to attain the 100 percent goal, as compared with 1 out 15 currently.

State Incentives. The state currently provides no incentives or benefits to individuals who join or remain in the National Guard. Prior to 1987, Minnesota exempted the first \$3000 of military pay (including National Guard pay) from state income taxation. An additional \$2000 exclusion (\$5000 total) was allowed for pay received for service performed outside of Minnesota. In 1987 the Legislature repealed this exclusion for military pay as part of a comprehensive income tax reform proposal.

Since repeal of the income tax exclusion, the Minnesota National Guard has experienced a decline in its numbers. As indicated, the total force has declined by over 300 men and women since the spring of 1987 when the tax change was first passed in the Legislature. Members of the Guard testified that removal of the income tax exclusion is viewed as a statement that the Legislature and the State does not appreciate the value of their service. Although the economic benefit of the income tax exclusion is relatively small, it is considered by many Guard members as an important recognition by the state of the significance and value of their public service.

Many other states provide a variety of state benefits and incentives to members of their National Guard units. Numerous states provide either special tax benefits or educational assistance. Many states, in fact, provide both tax and education benefits, as well as reduced auto license fees.

RECOMMENDATIONS

The Commission recommends to the Governor that the following incentives be enacted to encourage enlistment in and retention of members of the Minnesota National Guard. These recommendations were made after conducting three hearings at which extensive testimony was presented regarding the need to support recruitment and retention of an effective Minnesota National Guard force and the relative attractiveness of different types of incentives or benefits for different target populations. A set of state incentives must be designed to attract the younger new enlistee, veteran enlisted personnel, professional and technical personnel, such as doctors, lawyers, and pilots. Although the Commission heard various additional suggestions for incentive for enlistment or retention of Guard personnel, it believes that the following recommendations are the most effective policy alternatives for the Governor and Legislature to adopt.

In order to assist in recruitment of new members and to encourage retention of existing members of the Minnesota National Guard, the Commission, therefore, recommends that the Governor and Legislature adopt the following provisions. The recommendations are listed in the order of importance or priority assigned by the Commission.

(1) Restoration Of The Income Tax Exclusion For National Guard Pay

The Commission recommends that the Governor and Legislature enact legislation allowing members of the Minnesota National Guard to exclude \$3000 of military pay for service performed in Minnesota and an additional \$2000 (for a \$5000 total) for service performed outside of Minnesota. It is recommended that this change be retroactive to tax year 1987. This change will repeal the provisions of the 1987 Omnibus Tax Bill that eliminated the exclusion for National Guard pay.

(2) Tuition Assistance Payments

The Commission recommends that a state program be established providing for tuition reimbursement to members of the Minnesota National Guard. Under the program the state will reimburse a member of the Minnesota National Guard for 50 percent of the cost of tuition upon satisfactory completion of a course at a public or private post-secondary education institution, including universities, colleges, community colleges, and technical institutions. In the case of tuition paid to a private or non-Minnesota institution, the maximum reimbursement is limited to 50 percent of the average tuition at a comparable public institution in Minnesota. An individual's receipt of benefits under the program is limited to a period of no more than 10 years.

In the case of a member of the Minnesota National Guard who is killed in the line of duty, the state will reimburse 100 percent of the cost of tuition for post-secondary courses taken by the member's surviving spouse or dependents who are age 21 or younger. This reimbursement is subject to the same restriction on amount and duration as those applicable to the reimbursement of tuition payments for courses attended by the National Guard member.

(3) National Guard Bonus

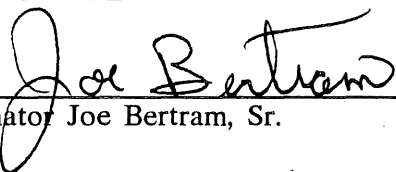
The Commission recommends that the Governor and Legislature provide for payment of an annual cash bonus of \$250 to each member of the Minnesota National Guard, except field grade officers. (The bonus would be paid to members with ranks from E-1 to O-3, but would not be paid to those with ranks above O-3.) The bonus payment will be exempt from state income tax.

Members of the Guard will be required to elect whether to receive the bonus or tuition assistance payments for each year, i.e., no bonus will be paid to a member who receives state tuition assistance payments during the preceding 12 month period.

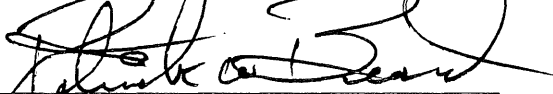
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VICE CHAIRMAN


Senator Joe Bertram, Sr.

MEMBERS OF THE COMMISSION

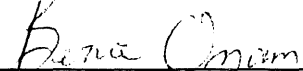

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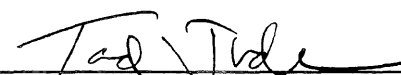

Representative Rick Krueger

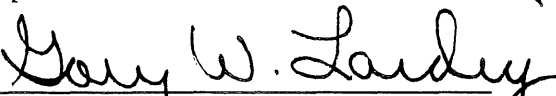

Representative Marcus M. Marsh

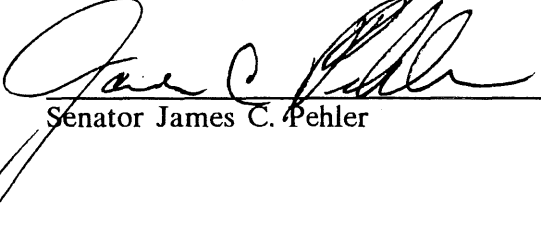

Representative Bernie Omann



Representative Gene P. Pelowski


Representative William H. Schreiber


Senator Tad Jude

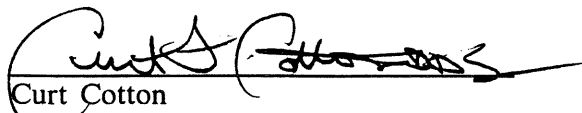

Senator Gary W. Laidig

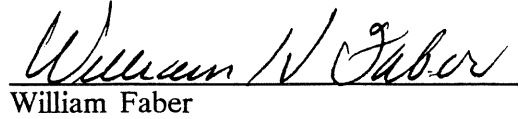

Senator James C. Pehler

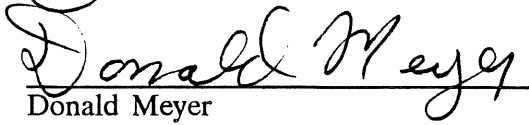

Senator Don Samuelson

Frank Adams


Carol Bartels


Curt Cotton


William Faber


Donald Meyer

