



# COMMISSION ON MILITARY AND VETERANS AFFAIRS

*Legislative Services Agency*  
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## Members

Rep. John Barnes, Chairperson  
Rep. Scott Reske  
Rep. Richard McClain  
Rep. Edmond Soliday  
Sen. Thomas Wyss  
Sen. Allen Paul  
Sen. Frank Mrvan  
Sen. Richard Young  
Carol L. Riley  
Sergeant Klay South  
Lt. Gen. Carol Mutter  
John Dahman

## LSA Staff:

Bill Brumbach, Fiscal Analyst for the Commission  
Allen Morford, Attorney for the Commission

Authority: IC 2-5-20

## MEETING MINUTES<sup>1</sup>

Meeting Date: October 27, 2010  
Meeting Time: 1:00 P.M.  
Meeting Place: State House, 200 W. Washington St., 156 C  
Meeting City: Indianapolis, Indiana  
Meeting Number: 2

**Members Present:** Rep. John Barnes, Chairperson; Rep. Richard McClain; Rep. Edmond Soliday; Sen. Richard Young; Carol L. Riley; Sergeant Klay South; John Dahman.

**Members Absent:** Rep. Scott Reske; Sen. Thomas Wyss; Sen. Allen Paul; Sen. Frank Mrvan; Lt. Gen. Carol Mutter.

### Call to Order, Discussion of PD 3502, and Draft Final Report

Chairman Barnes called the meeting to order at 1:10 PM. The first order of business was to discuss bill draft PD 3502 (Exhibit 1) that provides a state contracting set-aside program for service-disabled veteran-owned businesses (SDVOBs). Chairman Barnes explained to the Commission that the major changes in the bill draft (compared to HB 1121-2010 offered by Rep. Terry Goodin) were (1) creating a set-aside program rather than a price preference for SDVOBs; (2) adding language to prevent waste, fraud, and abuse under the set-aside program; and (3) requiring the Indiana Department of Administration to study the program and submit a report to Legislative Council.

Before considering the bill, Chairman Barnes took testimony from Miriam Dant of Dant Advocacy and Jim Schaefer of Lee & Ryan Environmental Consulting. Mr. Schaefer informed the Commission he had some concerns with the draft.

Mr. Schaefer expressed a concern that smaller state agencies may not be able to obtain any

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<sup>1</sup> These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at <http://www.in.gov/legislative>. Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for hard copies.

requests for proposals (RFPs) from SDVOBs. Under federal rules, an agency must have at least two RFPs from SDVOBs to award a contract.

Mr. Schaefer also took issue that the terms "responsible" and "responsive" were not defined in the bill draft. These terms apply to SDVOBs that submit RFPs to state agencies. Later in the meeting, Mr. Allen Morford, Attorney for the Commission, informed Mr. Schaefer that the two terms were defined in other Indiana Code governing state and local administration.

Mr. Schaefer asked the Commission to consider specifying a difference between purchasing program and service programs in the draft's language pertaining to contract administration. Additionally, Mr. Schaefer called the bill draft's effective date to question as a potential typographical error. PD 3502 has a current effective date of January 1, 2012.

There was no additional testimony or discussion regarding PD 3502. Senator Young moved to pass the bill as a recommendation for legislation from the Commission. Representative McClain seconded Senator Young's motion. PD 3502 was recommended unanimously by the Commission, 7-0, for introduction as legislation in the upcoming General Assembly.

The Commission additionally voted unanimously, 7-0, to approve the draft final report (Exhibit 2) with the addition of minutes and Commission recommendations from today's meeting.

#### Discussion of HB 1111-2010

Chairman Barnes turned the discussion toward HB 1111-2010, which he offered during the last session of the General Assembly. HB 1111-2010 provides equal veteran state benefit status for the Merchant Marines who served during World War II.

After Chairman Barnes explained what HB 1111-2010 would accomplish, the following Commission members voiced their support of the idea to be reintroduced for the coming meeting of the General Assembly: Mr. John Dahman, Sgt. Klay South, Senator Young, and Ms. Carol Riley.

Representative Soliday asked Tom Applegate, Director, Department of Veterans' Affairs, if adding the Merchant Marines to the list of service members who are eligible for admittance to the Indiana Veterans' Home may present administrative issues. Mr. Applegate responded by also voicing his support for the Merchant Marines to receive veteran status for state benefits, including admission to the Veterans' Home. Mr. Applegate informed the Commission that state benefits for veterans have traditionally mirrored federal benefits. Since the federal Department of Veterans' Affairs currently recognizes the Merchant Marines as veterans, adding them in Indiana would keep Indiana consistent with federal benefits. He also added that this could potentially help increase the population of veterans in the Veterans' Home (which is also a stated goal of the Indiana Department of Veterans' Affairs).

#### Additional Information from Tom Applegate, Director, Indiana Department of Veterans' Affairs

Mr. Applegate also provided the Commission with answers to questions asked at the previous meeting along with additional testimony. Mr. Applegate informed the Commission that the Veterans' Affairs Commission was qualified to administer benefits to veterans and spoke to the qualification of the Veterans' Affairs Commission members. Mr. Applegate also informed the Commission that the Veterans' Home residents currently have an elected body that expresses interests and desires to Veterans' Home staff. To date, Mr. Applegate said they have made every possible concession to please the Veterans' Home residents.

Mr. Applegate addressed concerns about food and laundry services at the Veterans' Home by stating that the Department is doing the best it can with the limited resources available. Mr. Applegate also informed the Commission they have taken steps to alleviate most of the grievances the residents have expressed regarding food and laundry quality.

In regards to the Veterans' Home being unable to keep trained nurses on staff, Mr. Applegate agreed this was a difficult task. He informed the Commission this problem stems from the Department being unable to provide a competitive salary to nurses. Nurses will normally complete training at the Veterans' Home and then quickly obtain a job in the private sector for a better salary.

Mr. Applegate also informed the Commission that the Commandant's Home roof replacement that was scheduled to happen will now only be roof repairs. This work is set to begin in the next couple of weeks and will be completed by the Department of Natural Resources.

Mr. Applegate informed the Commission the vacant position at the Veterans' Home (Director of Health Care Services) was never meant to be a needed position after the transfer of the Veterans' Home to the Department of Veterans' Affairs (from the State Health Department). This position was created specifically for the transfer between the two state agencies.

Mr. Applegate also expressed his interest in establishing a short-term rehabilitation center in the Veterans' Home for returning soldiers who require additional rehabilitation services that they are unable to receive from the federal Department of Veterans' Affairs.

#### Additional Testimony from Audience Members

Mr. Ron Martin of the Military/Veterans' Coalition of Indiana provided Commission members with his organization's political objectives for the coming year (Exhibit 3). He informed the Commission of his organization's emphasis on securing benefits for veterans at the state level where most other organizations focus at the national level. Mr. Martin expressed his desire to see Indiana provide a full tax exemption for military income much like other neighboring states. After a question from Chairman Barnes, Mr. Martin informed the Commission the last action to adjust the tax exemption for military income was taken two years ago when the tax exemption increased from \$2,000 to \$5,000. According to Mr. Martin, all other states, with the exception of Kentucky, exempt all military income (Kentucky exempts the first \$41,000 in military income).

Mr. Chuck Simon also introduced himself to the Commission and informed the Commission his main goal was to work with the General Assembly to pass bills that would provide more benefits to veterans and have no cost to the state. Mr. Simon requested the Commission look into matching funds for service officers for the next four to five years as cases pending service officer review have an unusually long processing time of two to three years. Mr. Simon contributed this long delay to lack of adequate funding for service officers.

Chairman Barnes adjourned the last meeting of the Commission for the 2010 interim at 2:10 PM.



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**PRELIMINARY DRAFT  
No. 3502**

**PREPARED BY  
LEGISLATIVE SERVICES AGENCY  
2011 GENERAL ASSEMBLY**

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**DIGEST**

**Citations Affected:** IC 4-13.6-2-13; IC 5-22.

**Synopsis:** State contracting with disabled veterans. Authorizes a state agency to set aside certain contracts for supplies or services to service disabled veteran owned (SDVO) small businesses. Permits the department of administration to designate certain public works projects as an SDVO small business set-aside. Provides that in order to qualify for a set-aside contract, the SDVO small business must: (1) be owned and controlled by a service disabled veteran who is a resident of Indiana; and (2) have a current verification as a service disabled veteran owned small business by the United States Department of Veterans' Affairs Center of Veterans' Enterprise. Provides, with certain exceptions, a state agency must set a goal for participation by SDVO small businesses of at least 3% of the overall dollar amount expended each state fiscal year by the state agency for purchases. Provides that the Indiana economic development corporation may assist a state agency by: (1) compiling a list of SDVO small business; (2) assisting an SDVO small business in complying with the procedures for bidding on governmental contracts; (3) examining requests from state agencies for the purchase of supplies or services to help determine which purchases are to be designated SDVO small business set-asides; and  
(Continued next page)

**Effective:** January 1, 2012.



Digest Continued

(4) simplifying specifications and contract terms to increase the opportunities for SDVO small business participation in governmental contracts. Requires the department of administration, beginning in 2013, to submit an annual report to the legislative council and the governor. Provides that a SDVO small business may not receive an Indiana small business price preference on purchases designated as an SDVO small business set-aside.



A BILL FOR AN ACT to amend the Indiana Code concerning state offices and administration.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 4-13.6-2-13 IS ADDED TO THE INDIANA CODE  
2 AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE  
3 JANUARY 1, 2012]: **Sec. 13. (a) The division may designate a  
4 public works project as an SDVO small business set-aside (as  
5 defined in IC 5-22-14.1-2) under rules adopted by the department  
6 under IC 4-22-2.**

7 **(b) The following apply to rules adopted by the department  
8 governing small business set-asides for public works projects:**

9 **(1) The rules are subject to the criteria for determining  
10 whether a business is an SDVO small business under  
11 IC 5-22-14.1-5.**

12 **(2) The rules must establish procedures for administering an  
13 SDVO small business set-aside program for public works  
14 projects that are substantially the same as the procedures  
15 described in IC 5-22-14.1.**

16 SECTION 2. IC 5-22-14.1 IS ADDED TO THE INDIANA CODE  
17 AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE  
18 JANUARY 1, 2012]:

19 **Chapter 14.1. Indiana Service Disabled Veteran Owned Small  
20 Business Set-Aside Purchases**

21 **Sec. 1. As used in this chapter, "SDVO small business" means  
22 a service disabled veteran owned small business that meets the  
23 requirements of section 5 of this chapter.**

24 **Sec. 2. As used in this chapter, "SDVO small business set-aside"  
25 means a purchase in which the solicitation states that offers will be  
26 accepted only by SDVO small businesses.**

27 **Sec. 3. As used in this chapter, "service disabled veteran" has  
28 the meaning set forth in 15 U.S.C. 632(q)(1), as in effect January 1,  
29 2011.**

30 **Sec. 4. As used in this chapter, "service disabled veteran owned  
31 small business" means a small business concern owned and**



1 controlled by a service disabled veteran (as defined in 15 U.S.C.  
2 632(q)(2)), as in effect January 1, 2011.

3 **Sec. 5. To qualify as an SDVO small business for purposes of**  
4 **this chapter, a service disabled veteran owned small business must:**

5 (1) be owned and controlled by a service disabled veteran who  
6 is a resident of Indiana; and

7 (2) have a current verification as a service disabled veteran  
8 owned small business under 38 CFR 74 et seq. by the United  
9 States Department of Veterans' Affairs Center of Veterans'  
10 Enterprise.

11 **Sec. 6. (a) A state agency may identify as an SDVO small**  
12 **business set-aside specific supplies or services for which a purchase**  
13 **has been requested under this article.**

14 (b) A service disabled veteran owned small business must meet  
15 the requirements provided in section 5 of this chapter at the time  
16 the solicitation for the purchase is issued, and the public notice of  
17 the purchase must state that the purchase is an SDVO small  
18 business set-aside.

19 **Sec. 7. If a purchase is designated as an SDVO small business**  
20 **set-aside, the solicitation must be confined to SDVO small**  
21 **businesses.**

22 **Sec. 8. A purchasing agent may not designate a purchase as an**  
23 **SDVO small business set-aside unless there is a reasonable**  
24 **expectation that offers will be obtained from at least two (2) SDVO**  
25 **small businesses capable of furnishing the desired supplies or**  
26 **service at a fair and reasonable price.**

27 **Sec. 9. (a) Except as provided in subsection (b), each state**  
28 **agency shall set a goal for participation by SDVO small businesses**  
29 **of at least three percent (3%) of the overall dollar amount**  
30 **expended each state fiscal year by the state agency for purchases.**

31 (b) A state agency is not required to meet the goal described in  
32 subsection (a) if the state agency:

33 (1) determines that the goal is not consistent with the goals of  
34 delivering the supplies or services within a timely manner and  
35 within the budgeted amount; or

36 (2) exercising financial prudence, determines that it is unable  
37 to meet the goal established by subsection (a).

38 **Sec. 10. A contract shall be awarded to the lowest responsible**  
39 **and responsive offeror among the SDVO small businesses in**  
40 **accordance with the rules of the Indiana department of**  
41 **administration.**

42 **Sec. 11. If a purchasing agent determines that acceptance of the**  
43 **lowest responsible and responsive offer will result in the payment**  
44 **of an unreasonable price, the purchasing agent shall reject all**  
45 **offers and may withdraw designation of the purchase as an SDVO**  
46 **small business set-aside.**



1           **Sec. 12. A purchase from an SDVO small business under this**  
2 **chapter is subject to:**

- 3           (1) all other provisions of this article; and
- 4           (2) the rules of the Indiana department of administration.

5 **If there is a conflict between the laws described in subdivisions (1)**  
6 **and (2) and this chapter, this chapter governs.**

7           **Sec. 13. An SDVO small business may not receive a price**  
8 **preference under IC 5-22-15-23 for purchases designated as an**  
9 **SDVO small business set-aside under this chapter.**

10           **Sec. 14. The Indiana economic development corporation may**  
11 **assist a state agency in doing any of the following:**

- 12           (1) **Compiling and maintaining a comprehensive list of SDVO**  
13 **small businesses.**
- 14           (2) **Assisting SDVO small businesses in complying with the**  
15 **procedures for bidding on governmental contracts.**
- 16           (3) **Examining requests from state agencies for the purchase**  
17 **of supplies or services to help determine which purchases are**  
18 **to be designated SDVO small business set-asides.**
- 19           (4) **Simplifying specifications and contract terms to increase**  
20 **the opportunities for SDVO small business participation in**  
21 **governmental contracts.**

22           **Sec. 15. (a) The Indiana department of administration shall**  
23 **annually evaluate the progress of each state agency in meeting the**  
24 **goal provided in section 9 of this chapter for the previous state**  
25 **fiscal year.**

26           **(b) Beginning in 2013, after June 30 and before November 1 of**  
27 **each year, the Indiana department of administration shall submit**  
28 **a report to the governor and the legislative council (in an electronic**  
29 **format under IC 5-14-6). The report must include:**

- 30           (1) **a list of each state agency that failed to meet the goal**  
31 **established by section 9 of this chapter during the previous**  
32 **state fiscal year; and**
- 33           (2) **for each state agency described in subdivision (1);**
  - 34           (A) **a summary of why the state agency failed to meet the**  
35 **goal; and**
  - 36           (B) **what actions are being taken by the state agency to**  
37 **meet the goal in the current state fiscal year.**

38           **(c) The Indiana department of administration shall post the**  
39 **report described in subsection (b) on the department's web site**  
40 **within thirty (30) days after it is submitted to the governor and the**  
41 **legislative council.**

42           **Sec. 16. The Indiana department of administration shall adopt**  
43 **rules under IC 4-22-2 to implement this chapter.**

44           **SECTION 3. IC 5-22-15-23 IS AMENDED TO READ AS**  
45 **FOLLOWS [EFFECTIVE JANUARY 1, 2012]: Sec. 23. (a) Except as**  
46 **provided in IC 5-22-14.1-13, a governmental body shall give a fifteen**



1 percent (15%) preference for supplies to an Indiana small business (as  
2 defined in IC 5-22-14-1) that submits an offer for purchase under this  
3 article.

4 (b) The governmental body may adopt rules to establish criteria to  
5 carry out this section.



FINAL REPORT

**Commission on Military and Veterans Affairs**

**I. STATUTORY DIRECTIVE**

The Indiana General Assembly passed HCR 53-2010 directing the Commission to study state contracting with service-disabled veteran-owned businesses.

The Commission may also study other topics assigned by the Legislative Council or as directed by the Commission's chair.

The Commission is required to report the results of the Commission's study to the General Assembly before November 1 of each year.

The Commission consists of 12 members: four representatives; four senators; and four lay members. The chair of the Legislative Council appoints the chair of the Commission.

**II. SUMMARY OF WORK PROGRAM**

The Commission was assigned no additional topics of study by the Legislative Council or the Commission's chairman. The Commission met two times during the 2010 interim session, on October 12<sup>th</sup> and October 27<sup>th</sup>, 2010.

**III. SUMMARY OF TESTIMONY**

*State Contracting with Service-Disabled Veteran-Owned Businesses*

The Commission heard testimony from Miriam Dant of Dant Advocacy regarding state contracting with service-disabled veteran-owned businesses (SDVOB). She informed the Commission that SDVOBs currently receive contracting preferences with the federal government and city of Indianapolis. The federal government currently provides a set-aside to ensure a portion of all federal contracts are awarded to SDVOBs. Under the bill Rep. Terry Goodin proposed during the last General Assembly's meeting, HB 1121-2010, SDVOBs would only receive a 3% price preference. Ms. Dant informed the Commission that if the state wants to ensure veterans receive some state contracts a set-aside program would be much more effective.

The Commission heard testimony from Mr. Jim Schaefer of Lee and Ryan Environmental Consulting to further discuss state contracting with SDVOBs. Mr. Schaefer presented the federal set-aside process for contracting with SDVOBs and how it can be implemented at the state level. His presentation included costs and benefits of a SDVOB contract set-aside program.

## *Indiana Department of Veterans' Affairs Update*

Mr. Tom Applegate, Director, Indiana Department of Veterans' Affairs explained that all 92 counties in the state have Veterans' Service Officers (CVSOs). These CVSOs have helped account for an annual flow of federal Veterans' Affairs compensation and pension money to Indiana veterans.

Mr. Applegate described the purpose of the Military Family Relief Fund (MFRF) and the Veterans' Affairs Trust Fund (VATF). The MFRF is for families of servicemen and women who have experienced short-term financial difficulty as the result of mobilization or deployment. The VATF has been established as a self-sustaining fund source for the MFRF. Revenue for the VATF is generated from sales of the Hoosier Veteran license plate and revenue for the MFRF is generated from the sales of the Hoosier Veteran and Support Our Troops license plates. Currently, these two funds have \$4,894,000 in assets, of which \$3 M is invested in the VATF and the remaining portion is available in the MFRF. The total awarded funds to date are \$640,000 to 223 families.

Mr. Applegate also discussed the Veterans' Home. There are currently 263 residents in the Home and approximately \$3.4 M of federal Stimulus funds will be spent at the Home for renovations and projects. Mr. Applegate informed the Commission the proposed plan to use Stimulus funds on the Commandant's Home has been interrupted as a result of the Commandant's Home transfer from DVA to the Department of Natural Resources.

Additionally, Mr. Applegate suggested legislative proposals to the Commission. Mr. Applegate recommending the following: (1) transferring the responsibility of the Governor's Advisory Commission to the Veterans' Affairs Committee to reduce duplicated efforts between the two bodies and (2) amending Indiana Code regarding the Governor's Commission on Minority and Women-Owned Enterprises to include a priority or preference for veteran-owned businesses.

Mr. Applegate also informed the Commission that requests for Prison of War license plates and requests of tuition remission for Purple Heart recipient program have decreased substantially since last year.

*Discussion of Merchant Marines (HB 1111-2010)*

## **IV. COMMITTEE FINDINGS AND RECOMMENDATIONS**

**THE MILITARY / VETERANS COALITION INDIANA  
POLITICAL OBJECTIVES – 2010 / 2011  
EXTRACTS**

**1. To continue to monitor the operation of the Indiana Veterans Affairs Trust Fund / Military Veterans Benefits Board and assure appointed board members have the long term vision as to achieve full development of supported programs and institutions. To propose additional fund sources for the trust fund to include:**

- a. A check bloc on State Income Tax forms to enable taxpayers to donate all or part of tax refunds.**
- b. Institution of a Lottery scratch off card with proceeds payable to the trust.**

Rationale: The recent consolidation of both the Trust and Military Affairs Benefits Board and the expansion of the Veterans Affairs Commission from four to seven members now assumes oversight of the Military family Relief Fund and the Veterans Affairs Trust Fund. Current Board appointees do not fully meet the guidance of the original Trust Fund board members as recommended by to include term limits.

A check bloc on the State Income Tax Form and a Indiana Lottery (Veterans) scratch off card with proceeds directed to the Veterans Affairs Trust seems to be a painless way to assure income to the fund.

**2. To secure phased implementation of full State tax exempt status for all federal military and military retiree income.**

Rationale: Military retirees and service members are a major economic force bringing to the State over one billion dollars per year in disposable income. Every effort should be made and incentives developed to attract military retirees and veterans to Indiana. Indiana continues to lose qualified veterans because of the greatly enhanced benefits available in adjacent and other states. Past attempts to improve this situation by the General Assembly have had little if effect of attracting veterans and retirees to Indiana or stemming the outflow of serving service members. The State habitually offers significant tax abatements to entice the corporate and business communities to come to Indiana. Hoosiers, serving in the armed forces should be offered similar consideration to the mutual benefit of both the individual and the State

**3. To invite attention to the low budget and management priority afforded the Indiana State Veterans Home in the areas patient acquisition, patient care and capital site improvements. To propose legislation to require two resident membership on the State Veterans Home advisory board.**

Rationale: Until recently, the Indiana State Veterans home has experienced long-term construction management delays and a low priority by the State Dept. of Public works. This has resulted in limitations on patient care, inability to use large sections of the physical plant, and the implementation of a Veterans Home Long Range Capital Improvement Plan. Furthermore, there is no established mechanism for the residents to surface problems and complaints other than through management. A requirement to have resident membership on the advisory board will provide this outlet.