



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #985

Educational Grants Reimbursement Rate Increase (Veterans Affairs -- Trust Fund Programs and Veterans Benefits)

[LFB 2001-03 Budget Summary: Page 702, #2]

CURRENT LAW

Tuition and Fee Reimbursement Grant (TFRG) Program. Tuition and fee grant reimbursements equal to 65% of the cost of tuition and fees for a UW-Madison resident undergraduate are authorized if the qualifying veteran attends any institution or center within the UW system, any state technical college or any similar institution that has a tuition reciprocity agreement with Wisconsin. The base level of funding for the tuition and fee reimbursement grant program is \$1,551,400 SEG annually.

Part-Time Study Grant (PTSG) Program. Grant reimbursements equal to 65% of the cost of tuition and fees are authorized if the qualifying veteran attends an institution of higher education in the state or a public or private high school. The base level of funding for the part-time study grant program is \$415,600 SEG annually.

Eligibility for both the tuition and fee reimbursement grant program and the part-time study grants program is restricted to veterans with incomes of \$47,500 or less (plus \$500 for each dependent in excess of two).

GOVERNOR

Tuition and Fee Reimbursement Grant Program. Increase the grant reimbursement rate for qualifying veterans under the TFRG program from 65% to 100% of the cost of tuition and fees for a UW-Madison resident undergraduate and provide \$812,300 SEG in 2001-02 and \$1,048,600 SEG in 2002-03 for the additional costs associated with this change. Delete a

redundant statutory reference to a 100% reimbursement rate for disabled veterans since all veterans would be reimbursed at 100% under the proposed change.

Part-Time Study Grant Program. Increase the grant reimbursement rate for qualifying veterans under the PTSG program from 65% to 100% of the cost of tuition and fees and provide \$679,800 SEG in 2001-02 and \$789,300 SEG in 2002-03 for the additional costs associated with this change. Delete a redundant statutory reference to a 100% reimbursement rate for disabled veterans since all veterans would be reimbursed at 100% under the proposed change.

Qualifying Schools. Authorize these programs to be used by qualifying veterans who attend proprietary schools approved by the Educational Approval Board and clarify the proper statutory citation for the definition of "institution of higher education."

DISCUSSION POINTS

1. *Tuition and Fee Reimbursement Grant Program* The TFRG program was established by 1993 Wisconsin Act 254 and funding for the program was first provided under the 1995-97 biennial budget act (1995 Wisconsin Act 27). Initially, under Act 254, the reimbursement rate for the program was set at 25% but was subsequently increased by Act 27 to 35%. The TFRG reimbursement rate was again increased to 50% by 1995 Wisconsin Act 255. Provisions of 1997 Wisconsin Act 27 established a maximum reimbursement equivalent to 50% of the undergraduate resident tuition and fees charged at the UW-Madison. Finally, provisions of 1999 Wisconsin Act 9 increased the TFRG program's reimbursement rate from 50% to the current 65% of the undergraduate resident tuition and fees charged at the UW-Madison.

2. Tuition and fee reimbursements are made upon an eligible veteran's successful completion of a semester at any UW System institution or center, state technical college or similar institution with a tuition reciprocity agreement with Wisconsin. Veterans are eligible for reimbursement for up to 120 credits or eight semesters of study and may receive reimbursement only for credits completed prior to the 10-year anniversary of their separation from active duty. Requests for reimbursement must be received by the Department within 60 days of the completion of coursework. In general, this 60-day timeline for making reimbursement requests results in virtually all reimbursements being paid in the fiscal year in which the veteran received the educational services.

3. *Funding Needs for the Proposed Reimbursement Rate Modification.* The Governor has recommended providing an additional \$812,300 SEG in 2001-02 and \$1,048,600 SEG in 2002-03 to fund the TFRG program reimbursement rate increase from 65% to 100%. This estimate has been developed based on the growth of 1999-00 fiscal year actual program expenditures over the preceding fiscal year (15.37%). This same rate of increase in annual program costs has then been projected forward through the 2001-02 fiscal year. (These rates of increase approximate the impact of an annual 10% growth in program utilization and an estimated 5% annual increase in UW-Madison tuition and fee costs.) Thereafter, the rate of increase in program costs is projected at 10%

annually.

4. These cost projections used by the Governor to establish the program's funding needs are summarized in Table 1. The large percentage increase in 2001-02 compared to the previous fiscal year is due to the combined interaction of the 15.37% annual rate of program growth and the 53.8% increase in the reimbursement rate from 65% to 100%, as recommended by the Governor.

TABLE 1

Governor's Recommended Funding for the Tuition and Fee Reimbursement Grant Program

<u>Fiscal Year</u>	<u>Grant Amount</u>	<u>% Increase to Previous Year</u>
1999-00	\$1,154,300	---
2000-01*	1,331,700	15.37%
2001-02**	2,363,700	77.49
2002-03**	2,600,000	10.00

* Projected figures based on program activity through April, 2001.

** Reimbursement rate increased from 65% to 100%.

5. The resulting projected funding needs for the program in 2001-02 and 2002-03 respectively under the Governor's cost projection scenario represent an increase to the base level of funding for the program (\$1,551,400 SEG annually) of \$812,300 SEG in 2001-02 and \$1,048,600 SEG in 2002-03.

6. The Governor's recommendation is based on aggregate program costs as adjusted to reflect estimates of increased program utilization, a higher reimbursement rate and increased tuition costs. These projections do not take in account the impact of declining participation in the program or an analysis of changes in the actual average grant costs for the program.

7. Table 2 summarizes recent program utilization data based on the number of grants awarded annually, as well average grant amount. These program utilization and average grant cost figures may also be used to project the likely impact of the Governor's recommendations on program costs.

TABLE 2

**Projected Tuition and Fee Reimbursement Grant Costs
(100% Tuition Reimbursement Beginning in 2001-02)**

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursement</u>
1995-96	2,257	\$293	\$660,700
1996-97	1,854	418	774,500
1997-98	1,708	581	992,500
1998-99	1,647	604	994,100
1999-00	1,300	888	1,154,300
2000-01*	1,280	1,025	1,312,600
2001-02**	1,290	1,657	2,136,900
2002-03**	1,290	1,739	2,243,800

* Projected figures based on program activity through April, 2001.

** Number of grants is the average of the two previous years. Tuition and fees for 2001-02 and 2002-03 assume 5% annual increases.

8. As indicated in Table 2, participation in the program has been declining since the 1995-96 fiscal year. A total of 1,300 reimbursement grants were paid in 1999-00, the last fiscal year for which complete information is available. Based on awards paid to date in the current fiscal year, a total of 1,280 reimbursement grants is projected for 2000-01. Projections for the 2001-02 and 2002-03 fiscal years are based on flat program growth, although recent experience would suggest that additional modest declines in program participation might be possible,

9. Table 2 also shows that average grant award amounts have been increasing since 1995-96. Average grant amounts have been affected by increases in the program reimbursement rate (from 35% to 50% for the 1997-98 fiscal year and from 50% to 65% for the 1999-00 fiscal year) and by recent Department efforts begun in 1998-99 to have part-time students used the part-time study grant program rather than the TFRG program.

10. The average grant awards included in Table 2 for the 2001-02 and 2002-03 fiscal years have been adjusted to reflect the impacts of increasing the reimbursement rate from 65% to 100% and of increasing UW-Madison resident undergraduate tuition and fees by 5% annually. Based on these projections, total program costs of \$2,363,700 SEG in 2001-02 and \$2,600,000 SEG in 2002-03 are indicated under the Governor's proposed modifications. If the Committee chooses to fund the tuition grant reimbursement program at 100% based on these revised projections, it could reduce the funding levels recommended by the Governor by \$226,800 SEG in 2001-02 and \$356,200 SEG in 2002-03.

11. The DVA has indicated that the reasons for the increased reimbursement rates are to:

(a) enhance the ability of veterans to take advantage of educational opportunities by coming closer to the veterans community goal of 100% reimbursement; and (b) making the TFRG (as well as the PTSG) programs parallel the Department of Military Affairs National Guard Tuition Grant program, which has provided a 100% tuition reimbursement. It could be argued, as the Department does, that the primary rationale for increasing the reimbursement rate is to improve the ability of veterans to further their educational goals. By increasing the tuition reimbursement rate, it is assumed that veterans will be more likely to avail themselves of additional educational opportunities because the costs to the veteran will be decreased.

12. Alternatively, it could be argued that the demonstrated benefits of increasing the reimbursement rates are unclear. Recent experience, even after previous reimbursement rate increases, has not increased participation in the program, as previously demonstrated by the data presented in Table 2. With respect to the argument that the TFRG program should parallel the DMA National Guard Tuition Grant program, it should be noted that the DMA program is also used by that Department as a recruitment incentive. This is a factor that does not apply with respect to the TFRG program. Further, many of the veteran participants under the TFRG program may qualify simultaneously for additional federal educational benefits, including Pell Grants and the GI Bill.

13. *Other Program Funding Options.* If the Committee concludes that adjusting the TFRG program's reimbursement rate to 100% of UW-Madison resident undergraduate tuition and fees is not indicated at this time, it could choose instead to: (a) cap the program's educational grants at a specific dollar level and provide the appropriate level of funding; or (b) retain the current law 65% reimbursement rate and provide the appropriate level of funding.

14. On May 16, 2001, the Committee took action to cap the amount of National Guard Tuition Grant reimbursements at \$1,000 per semester and \$500 for summer school. This type of approach was adopted, in part, to control the upward cost pressures on the program. Similar caps were applied to the academic excellence scholarship program in 1996-97 to cap escalating program costs. The Committee could choose to apply this treatment to the DVA Tuition and Fee Reimbursement Grant program. Capping the program at \$1,000 per semester would have the effect of freezing the program at approximately current average grant levels. The program's projected costs under this option are presented in Table 3. This projection assumes the same rate of summer school participation as under the DMA program.

TABLE 3

Projected Tuition and Fee Reimbursement Grant Costs under a \$1,000 Maximum

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursement</u>
2001-02	1,290	\$1,000	\$1,332,500*
2002-03	1,290	1,000	1,332,500*

*Includes an estimated 85 summer school reimbursements at \$500 each.

15. Under this alternative, the Department would be directed to establish, by rule, a methodology for determining the amount of the grant for students who attend schools with trimester or other types of academic calendars. In future years, the cap could be increased by the same percentage that the Legislature chooses to increase other financial aid programs in the budget.

16. If the Committee chooses to fund the TFRG program under this scenario, it could reduce the funding levels recommended by the Governor by \$1,031,200 SEG in 2001-02 and \$1,267,500 SEG in 2002-03.

17. Finally, the Committee could choose to fund the program under the current 65% reimbursement rate formula. Based on projected participation rates and current average grant rates, the costs of this alternative are presented in Table 4.

TABLE 4

**Projected Tuition and Fee Reimbursement Grant Costs
(Current Law 65% Reimbursement Rate)**

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursement</u>
2001-02*	1,290	\$1,077	\$1,389,300
2002-03*	1,290	1,131	1,459,000

* Tuition and fees for 2001-02 and 2002-03 assume a 5% annual increase.

18. If the Committee chooses to fund the TFRG program under this scenario, it could reduce the funding levels recommended by the Governor by \$974,400 SEG in 2001-02 and

\$1,141,000 SEG in 2002-03.

19. *Part-Time Study Grant Program.* Currently, this program provides reimbursement of up to 65% of the cost of the eligible veteran's undergraduate tuition and fees based on the costs of a UW-Madison resident undergraduate for part-time study. "Part-time study" is considered 11 credits or less per semester for a student without a bachelor's degree or eight credits or less per semester for a student with a bachelor's degree. There is no credit limitation for students attending summer school. Veterans with a service-connected disability of 30% or greater may be reimbursed for up to 100% of tuition and fees.

20. Qualifying veterans may receive a grant for courses completed at any UW institution or center, state technical college, accredited private college in Wisconsin, a similar institution that has a tuition reciprocity agreement with Wisconsin or a proprietary trade and vocational school. The part-time coursework must be related to the veteran's occupational professional or employment goals.

21. *Funding Needs for the Proposed Reimbursement Rate Modification.* The Governor has recommended providing an additional \$679,800 SEG in 2001-02 and \$789,300 SEG in 2002-03 to fund the PTSG program reimbursement rate increase from 65% to 100%. The Governor's funding estimate was developed in somewhat the same way the funding estimate was prepared for the Tuition and Fee Reimbursement Grant program changes. The estimate assumed that the reimbursement rate change would generate in 2001-02 a 35% cost increase based on higher participation levels in the program. This increase, when combined with the 53.8 % increase due to changing the reimbursement rate from 65% to 100% would be sufficient to generate an 108% increase in projected costs for the program in the 2001-02 fiscal year. Thereafter, costs would increase at approximately 10% annually. No further detail has been provided that would permit an assessment of the appropriateness of these projected program participation increases. Table 5 summarizes the projections used in the Governor's funding recommendations.

TABLE 5

Governor's Recommended Funding for the Part-Time Study Grant Program

<u>Fiscal Year</u>	<u>Grant Amount</u>	<u>% Increase to Previous Year</u>
1999-00	\$445,200	---
2000-01*	527,400	18.46%
2001-02**	1,095,400	107.70
2002-03**	1,204,900	10.00

*Projected.

**Reimbursement rate increased from 65% to 100%.

22. The resulting projected funding needs for the program in 2001-02 and 2002-03 respectively under the Governor's cost projection scenario represent an increase to the base level of funding for the program (\$415,600 SEG annually) of \$679,800 SEG in 2001-02 and \$789,300 SEG in 2002-03.

23. As with the TFRG program funding recommendations, the Governor's recommendation for the PTSG program is based on aggregate program costs as adjusted to reflect estimates of increased program utilization, a higher reimbursement rate and increased tuition costs. These projections do not take in account the impact of declining participation in the program or an analysis of changes in the actual average grant costs for the program. These factors are presented in Table 6.

24. Table 6 summarizes recent program utilization data based on the number of grants awarded annually, as well average grant amount. These program utilization and average grant cost figures may also be used to project the likely impact of the Governor's recommendations on program costs.

TABLE 6
Projected Part-Time Study Grant Costs
(100% Tuition Reimbursement Beginning in 2001-02)

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursement</u>
1995-96	1,665	\$383	\$637,300
1996-97	1,868	383	715,100
1997-98	1,386	291	403,700
1998-99	1,010	256	258,400
1999-00	1,080	412	445,200
2000-01*	1,025	400	409,900
2001-02**	1,056	646	682,200
2002-03**	1,056	678	716,000

* Projected figures based on program activity through April 2001.

** Number of grants is the average of the two previous years. Tuition and fees for 2001-02 and 2002-03 assume 5% annual increases.

25. Participation rates in the program have been declining since 1996-97 and appear to have stabilized at between 1,000 to 1,100 participants annually. Program costs have generally been declining also, subject to upward movement primarily after reimbursement rate changes. Based on projections of PTSG program use as outlined in Table 6, the Committee could consider reducing the funding levels recommended by the Governor by \$413,200 SEG in 2001-02 and \$488,900 SEG in 2002-03.

26. *Other Program Funding Options.* The Committee could also consider the same additional options as were proposed for the TFRG program: (a) cap the PTSG program's educational grants at a specific dollar level and provide the appropriate level of funding; or (b) retain the current law 65% reimbursement rate and provide the appropriate level of funding.

27. If the Committee chooses to cap the Part-Time Study Grant program at the same level that the \$1,000 proposed cap for the Tuition and Fee Reimbursement Grant program represents of current UW-Madison resident undergraduate tuition and fees, it could set the PTSG cap at \$85 per credit. Current projections of program use suggest that the average credit load under the PTSG program is 3.8 credits per semester, or \$323. Based on this assumption, the projected costs of the program under the \$85 per credit cap would be as identified in Table 7.

TABLE 7

**Projected Part-Time Study Grant Costs
(with an \$85 per Credit Reimbursement Maximum)**

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursement</u>
2001-02	1,056	\$323	\$341,100
2002-03	1,056	323	341,100

28. If the Committee chooses to fund the Part-Time Study Grant program in this manner, it could reduce the Governor's recommendation by \$754,300 SEG in 2001-02 and \$863,800 SEG in 2002-03.

29. Finally, the Committee could choose to fund the program under the current 65% reimbursement rate formula. Based on projected participation rates and current average grant rates, the cost of this alternative are presented in Table 8.

TABLE 8

**Projected Part-Time Study Grant Costs
(Maintaining Tuition and Fee Reimbursement at 65%)**

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursement</u>
2001-02**	1,056	\$420	\$443,500
2002-03**	1,056	441	465,700

*Tuition and fees for 2001-02 and 2002-03 assume a 5% annual increase.

30. If the Committee chooses to fund the Part-Time Study Grant program under this scenario, it could reduce the funding levels recommended by the Governor by \$651,900 in 2001-02 and \$739,200 SEG in 2002-03.

31. If the Committee chooses to cap or retain the current law reimbursement rates for either or both of the educational programs discussed in this paper, the current law treatment authorizing 100% reimbursements for veterans with a disability of 30% or more would be retained for those individuals.

ALTERNATIVES TO BILL

A. Tuition and Fee Reimbursement Grants

1. Approve the Governor’s recommendation to increase the reimbursement rate to 100% and clarifying the eligible schools where the program may be used.

2. Modify the Governor’s recommendation by deleting \$226,800 SEG in 2001-02 and \$356,200 SEG in 2002-03 to reflect revised estimates of the program’s costs and utilization levels during the next biennium.

<u>Alternative A2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	- \$583,000

3. Modify the Governor’s recommendation by: (a) capping the Tuition and Fee Reimbursement Grant program at \$1,000 per semester (\$500 in the summer), first effective for the fall semester of 2001; (b) directing the Department to promulgate rules establishing a methodology for determining the amount of the grant for students who attend schools that operate on a trimester or other academic calendar basis; (c) retaining the current reimbursement treatment for disabled veterans; and (d) deleting \$1,031,200 SEG in 2001-02 and \$1,267,500 SEG in 2002-03.

<u>Alternative A3</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	- \$2,298,700

4. Modify the Governor’s recommendation by: (a) retaining the current 65% reimbursement rate for the Tuition and Fee Reimbursement Grant program at 65% of the cost of tuition and fees for a resident undergraduate at UW-Madison; (b) retaining the current reimbursement treatment for disabled veterans; and (c) deleting \$974,400 SEG in 2001-02 and \$1,141,000 SEG in 2002-03 to reflect a revised estimate of the funding needs for the program.

Alternative A4	SEG
2001-03 FUNDING (Change to Bill)	- \$2,115,400

5. Delete the Governor's recommendation.

Alternative A5	SEG
2001-03 FUNDING (Change to Bill)	- \$1,860,900

B. Part-Time Study Grants

1. Approve the Governor's recommendation to increase the reimbursement rate to 100% and clarifying the eligible schools where the program may be used.

2. Modify the Governor's recommendation by deleting \$413,200 SEG in 2001-02 and \$488,900 SEG in 2002-03 to reflect revised estimates of the current program's costs and utilization levels during the next biennium.

Alternative B2	SEG
2001-03 FUNDING (Change to Bill)	- \$902,100

3. Modify the Governor's recommendation by: (a) capping the Part-Time Study Grants program at \$85 per credit per semester, first effective for the fall semester of 2001; (b) directing the Department to promulgate rules establishing a methodology for determining the amount of the grant for students who attend schools that operate on a trimester or other academic calendar basis; (c) retaining the current reimbursement treatment for disabled veterans; and (d) deleting \$754,300 SEG in 2001-02 and \$863,800 SEG in 2002-03.

Alternative B3	SEG
2001-03 FUNDING (Change to Bill)	- \$1,618,100

4. Modify the Governor's recommendation by: (a) retaining the current 65% reimbursement rate for the Part-Time Study Grant program at 65% of the cost of tuition and fees for a resident undergraduate at UW-Madison; (b) retaining the current reimbursement treatment for disabled veterans; and (c) deleting \$651,900 SEG in 2001-02 and \$739,200 SEG in 2002-03. Maintain current language for 100% reimbursement for disabled veterans.

Alternative B4	SEG
2001-03 FUNDING (Change to Bill)	- \$1,391,100

5. Delete the Governor's recommendation.

Alternative B5	SEG
2001-03 FUNDING (Change to Bill)	- \$1,469,100

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