



Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

April 19, 2005

Joint Committee on Finance

Paper #496

National Guard Tuition Grants (Military Affairs)

CURRENT LAW

Under s. 21.49 of the statutes, the Department of Military Affairs (DMA) administers a tuition grant reimbursement program for qualified Wisconsin National Guard members. Currently, enlisted members and warrant officers in the National Guard are eligible for tuition reimbursement for baccalaureate degree work at an eligible school. An eligible school for purposes of the program is the extension and any campus of the UW System, a technical college in the state, an accredited in-state institution of higher education, or those out-of-state public institutions of higher education that are subject to either the Minnesota-Wisconsin student reciprocity agreement under s. 39.47 of the statutes or reciprocity agreements under s. 39.42 of the statutes (affecting students in community and technical colleges in Michigan, Illinois, and Iowa).

Reimbursement grants are provided for 100% of actual tuition expenses at an eligible school, not to exceed the maximum of the resident undergraduate tuition at UW-Madison for a comparable academic load. Qualified students are eligible for up to eight full semesters of undergraduate courses, or 120 credits of part-time study. Each summer, fall or spring semester, a participant has 90 days after completing his or her coursework to apply for reimbursement. Guard members must achieve a minimum grade point average of 2.0 or an average grade of "C" in each semester in which they request a grant. The program is funded under a biennial appropriation. Base level funding in the appropriation is \$5,459,800 GPR annually.

GOVERNOR

No change to the program or base level funding.

DISCUSSION POINTS

Program Funding Level

1. The Governor has not recommended any funding changes to the base level amounts of \$5,459,800 GPR annually available for the National Guard tuition grant program. The projected funding needs for the program during the next biennium will be driven primarily by the following two factors: (a) the likely number of reimbursement requests from eligible National Guard members received by the Department during each fiscal year; and (b) the projected increases to UW System tuition rates for 2005-06 and for 2006-07.

2. The following table summarizes actual program participation over the last five fiscal years for which complete data is available:

**Tuition Reimbursement Program Participants
(1999-00 through 2003-04)**

<u>Fiscal Year</u>	<u>Summer</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>
1999-00	221	1,730	1,765	3,716
2000-01	221	1,761	1,801	3,783
2001-02	251	1,894	1,668	3,813
2002-03	244	1,659	1,310	3,213
2003-04	182	1,487	1,494	3,163

3. A critical factor in projecting likely program costs in the 2005-07 biennium is the number of participants in the program. Actual data is now available for program participation in the summer of 2004 (182, the same as for the summer of 2003), and virtually complete participation data is available for the fall of 2004. Through March 28, 2005, the Department has received and paid 1,284 reimbursement requests for the fall semester. Since eligible National Guard participants must seek reimbursement within 90 days of the completion of course work, these fall reimbursement figures are assumed to be almost entirely complete. These 1,284 reimbursements for the fall of 2004 represent a further decline of over 200 reimbursement requests compared to fall enrollments in 2003.

4. As illustrated in the above table, participation levels in the program have declined steadily since the middle of the 2001-02 fiscal year. An important reason for the decline in program participation has been the impact of call-ups of National Guard members for active duty in Afghanistan and in Iraq. Other eligible participants may be deferring educational alternatives as long as there is uncertainty as to whether they might be mobilized into active duty.

5. A second possible reason for the decline in program participation in the fall of 2004 may be attributable to changes made by 2003 Wisconsin Act 83 to the veterans education grant program operated by the Department of Veterans Affairs (DVA). Provisions of Act 83 made access to the DVA education grant program open to any individual who had served on active duty for 90

days or more. Since the DVA education grant program also provides reimbursement for fees in addition to tuition, there would be a financial incentive for a person to seek reimbursement under the DVA program rather than under the National Guard tuition grant program.

6. DVA has been unable to provide information on the number of grant reimbursements that have been requested under its program by individuals who might otherwise have received a National Guard tuition reimbursement grant. A comparison of summer and fall DVA educational grant program reimbursement activity between the 2003-04 fiscal year (before the law change) and the 2004-05 fiscal year (after the law change) is inconclusive with respect to whether there has been a significant enrollment shift to the DVA program.

7. DVA has now requested and the Governor has recommended changes to that agency's education grant programs that would require individuals eligible for the National Guard tuition grant program to apply first to that program rather than to the DVA program. The Governor has also recommended DVA's proposal to eliminate reimbursement for fees for most veterans, thereby eliminating the financial incentive to participate in the DVA education grant program rather than the National Guard tuition grant program.

8. For purposes of projecting likely participation rates under the National Guard tuition grant program during the 2005-07 biennium, it is assumed that ongoing deployments of National Guard members overseas will continue to have a depressing effect on educational enrollments and that participation rates will not return to the levels previously observed in 2001-02 and before. Further, given the uncertain impact of any change in the DVA education grant program on the National Guard tuition reimbursement program, it would appear more prudent to predict future program participation based on the higher 2003-04 levels, rather than on the lower levels that have been experienced to date in the 2004-05 fiscal year.

9. A second critical factor driving funding calculations for the National Guard tuition reimbursement program is the projected rate of tuition increase at the UW System over the upcoming biennium. For purposes of this projection, average reimbursement amounts being paid in the current fiscal year have been adjusted to reflect likely UW System tuition increases.

10. The UW System tuition changes for 2005-06 will not be approved by the Board of Regents until July; however, in the *Budget in Brief*, the administration indicates that tuition will increase from 5% to 7% annually in the 2005-07 biennium.

11. The following table projects the estimated costs of the National Guard tuition grant program during each fiscal year of the 2005-07 biennium, based on: (a) program participation rates rebounding from current levels to the somewhat higher levels previously experienced in 2003-04; and (b) 6% annual tuition increases for the UW System, adjusted to reflect compensation plan increases for UW employees.

**Projected National Guard Tuition Grant Program Expenditures
(2005-06 Fiscal Year)**

<u>Academic Term</u>	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Projected Costs of Reimbursements</u>
Summer	182	\$841	\$153,000
Fall	1,487	1,605	2,386,800
Spring	<u>1,494</u>	1,605	<u>2,397,900</u>
Total	3,163		\$4,937,700
Base Level Funding			<u>\$5,459,800</u>
Available Funding in Excess of Projected Expenditures			\$522,100

(2006-07 Fiscal Year)

<u>Academic Term</u>	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Projected Costs of Reimbursements</u>
Summer	182	\$906	\$165,000
Fall	1,487	1,730	2,573,000
Spring	<u>1,494</u>	1,730	<u>2,584,600</u>
Total	3,163		\$5,322,600
Base Level Funding			<u>\$5,459,800</u>
Available Funding in Excess of Projected Expenditures			\$137,200

12. Based on this analysis, it would appear that the National Guard tuition grant reimbursement program is over-funded, relative to likely program demand, by \$522,100 GPR in 2005-06 and by \$137,200 GPR in 2006-07.

13. By assuming participation levels in each fiscal year of the 2005-07 biennium at the participation levels of 2003-04, rather than at the lower participation levels observed in 2004-05, the estimate shown above may actually overstate the amount of funding needed to support the program. Consequently, if participation does rebound above the lower 2004-05 levels, sufficient funds should still be available under the estimate. Also, it is important to note the biennial nature of the program's appropriation. If any additional funding is necessary, adjustments would need not be made until well into the second year of the biennium.

Possible Program Administration Modifications

14. As described above, the Department of Veterans Affairs has requested, and the

Governor has recommended, a number of program changes designed to align the benefits of the DVA program with the National Guard tuition grant program so that more uniform reimbursement policies result. These changes to the DVA education grant program will be reviewed in a separate issue paper for that agency. Nonetheless, there are some areas where the two programs will continue to differ (both under current law and under some of the proposed DVA changes to their program). The Committee may wish to consider whether additional modifications to the National Guard tuition grant program should be made.

15. *Proration of Reimbursement Grant Amounts.* Under the proposed changes applicable to the DVA education grant program, the agency would be authorized to adjust the rates of reimbursement based on the availability of appropriated funding. No such comparable authority exists under the National Guard tuition grant program, and the Committee could consider providing it.

16. While a proration option may represent the fairest way to distribute available monies if there are insufficient amounts to fully fund all grant requests, the procedure is cumbersome to administer in that no funds may be paid out until all program participants have submitted reimbursement requests, and the amount of available funding can then be allocated proportionately to all eligible applicants. Further, the program has long been viewed as one of the primary recruiting tools for the National Guard and any potential reduction in benefits through proration could compromise that focus.

17. It may be noted that when the National Guard tuition grant program was first established in 1977, language was specifically included prohibiting the DMA from prorating grants. Instead, the Department was directed to fully fund each grant on a first-received, first-paid basis. The agency was authorized to deny a grant in the event of insufficient funding. These provisions were subsequently repealed by 1995 Wisconsin Act 27.

18. If the Committee concludes that adopting a proration policy for National Guard tuition grants would be undesirable at this time, it may also wish to revisit this matter when the proposed changes to the DVA education grant programs are addressed.

19. *Estimating Program Costs.* The tracking of program costs could be improved if the Committee adopted modifications to the National Guard tuition grant program: (a) that would require program participants to apply for reimbursement within 60 days, rather than the current 90 days, of the end of course work; and (b) directing the Department to require program participants to provide the agency with certain minimum information within 15 days of the commencement of each academic term.

20. It is difficult to track costs of the National Guard tuition grant program from semester-to-semester because National Guard members have 90 days from the conclusion of course work to submit a reimbursement request to the Department. Under the DVA education grant programs, by contrast, program participants have 60 days to submit their reimbursement requests. The current 90-day allowance for submitting reimbursement requests often results in students who

finish spring semester course work in mid-May applying for reimbursement as late as mid August, well into the next fiscal year. It could be argued that 60 days is sufficient time to request a reimbursement. If the Committee concurs, it could provide for a 60-day allowance for submitting reimbursement requests.

21. For both the National Guard tuition grant program and the DVA education grant programs, neither administering agency knows the number of participants who will actually apply for reimbursement in advance of when each agency actually receives an application for program benefits at the end of each academic term.

22. This situation could be remedied for the DMA program if the agency required some form of simple preregistration for the program benefit. This information could include the participant's name, institution attended, whether the student is enrolled full-time or part-time, and the estimated amount of tuition reimbursement that will be claimed at the end of the academic term.

23. From time-to-time in the past, the Department has sought supplementations from the Finance Committee to fund projected shortfalls in the National Guard tuition grant program. The reliability of the agency's projections of funding needs has always been limited by the lack of information regarding the program's likely funding obligations in the current academic term. If the Committee chooses to make the above program administration modifications, the Department could generate more reliable cost projections in the event that any future supplementation request would be made.

ALTERNATIVES

A. Program Funding Level

1. Delete \$522,100 GPR in 2005-06 and \$137,200 GPR in 2006-07 to reestimate funding levels during the 2005-07 fiscal biennium based upon projected participation and tuition levels.

<u>Alternative A1</u>	<u>GPR</u>
2005-07 FUNDING (Change to Bill)	- \$659,300

2. Take no action.

B. Possible Program Administration Modifications

In addition to Alternative A1 or A2, the Committee may adopt any of the following:

1. Authorize the Department of Military Affairs to adjust the rates of reimbursement under the National Guard tuition grant program based on the availability of appropriated funding.

2. Specify that applications for National Guard tuition grants must be received within 60 days of completing course work, rather than the current 90 days after the completion of course work.

3. Direct the Department of Military Affairs to require program participants in the National Guard tuition grant program to provide the agency with the following minimum information within 15 days of the commencement of each academic term: (a) the participant's name; (b) institution attended; (c) whether the participant is enrolled full-time or part-time; and (d) the estimated amount of tuition reimbursement that will be claimed at the end of the academic term.

Prepared by: Darin Renner