



## Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #462

### Veterans Tuition Remission Reimbursement (HEAB)

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 350, #4]

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#### **CURRENT LAW**

UW System institutions and Wisconsin technical colleges must remit 100% of tuition and fees, for up to 128 credits or eight semesters, whichever is longer, to students who are veterans and who: (a) entered service from Wisconsin; (b) are current residents; and (c) whose service meets certain criterion. There is no time limit regarding when a veteran may receive the remission. In addition, UW System institutions and Wisconsin technical colleges must remit 100% of tuition and fees, for up to 128 credits or eight semesters, whichever is longer, to a student who is the spouse, the unremarried surviving spouse, or the child of any veteran who entered service from Wisconsin and either incurred at least a 30% service-connected disability or, while a resident of this state, died on active duty, died as the result of a service-connected disability, or died in the line of duty while on active or inactive duty for training purposes. This benefit is available to the spouse or the unremarried surviving spouse for the first 10 years after the veteran received a disability rating or after the death of the veteran. Children are eligible for remission while they are at least 18 but not yet 26 years old and are enrolled full-time.

#### **GOVERNOR**

Provide \$5,013,700 GPR in 2007-08 and \$6,562,300 GPR in 2008-09 in a new biennial appropriation to reimburse the UW Board of Regents and the Wisconsin Technical College System district boards for all tuition and fees remitted to veterans and certain dependents. Require the UW Board of Regents and each technical college district board to certify the number of students who received these remissions, the number of credits for which tuition had been remitted, and the amount of tuition and fees remitted at the end of each semester. If the Higher

Educational Aids Board (HEAB) approves this information, it would reimburse the UW Board of Regents and each district board for the amount of fees remitted. Specify that the UW Board of Regents would deposit these moneys in an existing program revenue appropriation for funds received from other agencies and would have to expend these moneys for degree credit instruction. These provisions would first apply to students who enroll for classes in the 2007-08 academic year.

## **DISCUSSION POINTS**

1. In the 2005-06 academic year, UW System institutions granted remissions to approximately 2,666 veterans and dependents at both the undergraduate and graduate level totaling about \$4.29 million. In that same year, WTCS institutions provided remissions to approximately 964 veteran and dependents for a total of about \$0.78 million. These numbers are estimates because students who were eligible for these remissions during the 2005-06 academic year can claim these remissions after the fact. As there is currently no deadline for claiming remissions, students may make claims at any time during or after the semester of interest and receive a refund of the applicable portion of tuition and fees paid. Currently neither the UW System nor WTCS institutions receive any GPR to offset the cost of these remissions.

2. Enrollment data from both the UW System and WTCS shows that there has been a large growth in the number of remissions granted to veterans and certain dependents since these remissions were first made available in the fall of 2005. For example, in the UW System the number of remissions granted to veterans and dependents increased from 1,205 in the fall of 2005 to 2,010 in the fall of 2006, an increase of 67%. The cost of these remissions grew at an even greater rate increasing by 73% over the same time period from \$1.94 million in the fall of 2005 to \$3.36 million in the fall of 2006. In the 2005-06 academic year, 964 veterans and dependents received remissions from WTCS institutions. Based on current enrollment, WTCS estimates that 1,793 veterans and dependents will claim remissions in the 2006-07 academic year, an increase of 86% over the prior year. As in the UW System, the cost of these remissions increased at an even faster rate than program participation. WTCS estimates that the cost of remissions for veterans and dependents will be \$1.69 million in 2006-07, up from \$0.78 million in 2005-06, an increase of 116%.

3. During the 2005-07 biennium, veterans are eligible to receive a 50% remission of tuition and fees for courses taken at UW System and WTCS institutions. Under 2005 Act 468, remissions for veterans will increase from 50% to 100% beginning in 2007-08. Approximately 76% to 78% of students receiving these remissions in both the UW System and at WTCS institutions are veterans. The remaining 22% to 24% are children or spouses. Given this split, increasing veterans' remissions from 50% to 100% will increase the cost of these remissions by approximately 77%, holding all other factors constant.

4. In August, 2006, the UW System and WTCS submitted estimates to HEAB of the cost of remissions to veterans and dependents in the 2007-09 biennium. The UW System estimated

that the cost of these remissions to its institutions would be \$9.26 million in 2007-08 and \$9.91 million in 2008-09. According to UW System staff, these estimates were based on data for the fall of 2005 and spring of 2006 semesters and included only increases resulting from the level of the remission for veterans increasing from 50% to 100% and projected increases in tuition. These estimates did not include increases due to increases in program participation. WTCS estimated that these remissions would cost the district boards \$2.3 million in 2007-08 and \$3.2 million in 2008-09. The WTCS estimates included adjustments for the increase in the level of remission for veterans, increases in tuition, and a 25% annual increase in program participation.

5. SB 40 would provide \$5,013,700 in 2007-08 and \$6,562,300 in 2008-09 to HEAB to reimburse the UW System and WTCS district boards for remissions to veterans and dependents. Based on information from DOA staff, these appropriations reflect an allocation of \$10 million GPR for the 2007-09 biennium, plus the estimated increase in the cost of these remissions due to a proposed legislative change that would allow the children of qualifying veterans to receive remissions while they are 17 years-old and while they are enrolled part-time (\$788,000 annually). Under SB 40, it is not intended that HEAB would reimburse the UW System and WTCS for the entire cost of these remissions.

6. The estimates submitted to HEAB by the UW System and WTCS in August, 2006, were based on data from the 2005-06 academic year. Enrollment data for the 2006-07 academic year shows that participation has increased by 37% at UW System institutions from spring 2006 to fall 2006 and by over 80% at WTCS institutions from the 2005-06 academic year to the 2006-07 academic year.

7. Because actual enrollment by veterans in 2006-07 exceeded earlier projections, it appears that the funding included under SB 40 would be sufficient to reimburse the UW System and WTCS district boards for only a small portion of estimated tuition remissions in the 2007-09 biennium. Based on assumptions of 10% growth in utilization per semester, approximately 6% tuition increases, and an estimated increase in costs of \$788,000 annually due to the legislative change, it is estimated that tuition remissions for veterans could total \$23.8 million in 2007-08 and \$28.6 million in 2008-09. Using these estimates, the funding in SB 40 would reimburse 21% to 23% of the estimated tuition remissions. If the Committee established the goal to reimburse 50% of the tuition remissions, it would cost an estimated \$11.9 million in 2007-08 and \$14.3 million in 2008-09. These amounts exceed the funding in SB 40 by \$6,886,300 in 2007-08 and \$7,737,700 in 2008-09.

8. Recent growth in enrollment has exceeded the 10% assumptions used to estimate the incremental cost of the veterans remissions. In addition, the increase to a 100% remission for veterans may further increase the number of veterans who enroll in UW System institutions and Wisconsin technical colleges. For these reasons, it is possible that these estimates might understate the total increases in remissions in the 2007-09 biennium. However, because there is limited data related to the use of these remissions, all estimates of future use of the remissions are speculative.

9. Because of the uncertainty related to the amount of veterans remissions, there are

two approaches to reimbursement that the Committee could consider. First, the Committee could specify the method of calculation for the reimbursement payments to the two systems and authorize HEAB to prorate the payments if funding is insufficient for full payment. Under this approach, the bill would be modified to specify that in June of each fiscal year, HEAB would determine the total amount of remissions provided in that year by the UW System and WTCS district boards that are eligible for reimbursement. If the amount eligible for reimbursement exceeds the amount of available funding, then HEAB would be authorized to prorate the payments to the UW System and WTCS district boards.

10. As an alternative to the prorate provision, the Committee could create a GPR sum sufficient appropriation, which would fully reimburse the amount of tuition remissions or reimburse some specified percentage of these tuition remissions.

11. Currently, neither the UW System nor WTCS institutions receive GPR to offset the cost of these remissions. In the absence of state GPR funding for these remissions, the UW System could increase tuition for other students to offset the revenue lost from these remissions. According to UW System budget documents, a 1% increase in tuition would result in an additional \$6 million in tuition revenues. WTCS institutions are supported by a mix of state GPR, property tax revenues, and tuition, and by statute must recover certain percentages of costs through tuition. In the absence of state GPR funding for these remissions, WTCS institutions could also increase tuition.

12. Under the amendment drafts that created the tuition remissions, there are separate remission provisions in Chapter 36 of the statutes governing the UW System and in Chapter 38 of the statutes governing WTCS. In addition, under Chapter 38, the law requires each technical college district to provide these remissions. Because these statutory provisions are not linked, the cumulative limits of 128 credits and eight semesters applies to each system separately, and within WTCS, applies to each district separately. As a result, a veteran could receive a remission of 100% of tuition and fees for 128 credits at WTCS, and then be eligible for a remission of 100% of tuition and fees for an additional 128 credits at the UW System. It is unclear whether this result was intended at the time the remissions were approved by the Legislature. To address this question, the Committee could specify that the current law limits would apply to the sum of remissions received at all UW System institutions and WTCS districts.

13. To administer the proposed tuition reimbursement appropriation, it may be desirable to establish a deadline for eligible persons to claim the remission. As the Governor's budget requires the UW System and WTCS district boards to report remissions to HEAB at the end of each semester, current law could be modified to require an eligible person to claim the remission by the end of each semester in which tuition and fees are to be remitted.

14. As an alternative, the Committee could decide to modify current law to make eligibility for these tuition remissions less broad. For example, under current law, an eligible veteran, spouse, or child may receive a remission for study at either the undergraduate or graduate level. Tuition is significantly higher at the graduate level; for example, while annual resident undergraduate tuition at UW-Madison is \$6,000 in 2006-07, resident tuition at the medical school is

\$21,534. As a result, providing remissions for study at the graduate level increases the total cost of these remissions. In addition, providing remissions for study at the graduate level may not have been the original intent of the Legislature. Indeed, DVA's education grant program provides reimbursements for undergraduate tuition only. In 2005-06, an estimated 152 veterans and 11 dependents received tuition remissions for graduate work totaling approximately \$300,000.

15. In addition, the Committee could decide to restrict eligibility for remissions in other ways. Currently, veterans may receive these remissions at any time following their separation from service. However, under DVA's education grant program, veterans may only be reimbursed for coursework less than 10 years after their separation from duty. Likewise, under current law spouses and surviving spouses may only receive remissions during the first 10 years after the veteran received his or her disability rating or after the veteran died. The statutes could be modified to provide that veterans would only be eligible for tuition and fees remissions during the first 10 years following their separation from service. No data is available regarding the number of veterans who have received tuition and fees remissions and who have been separated from service for 10 or more years.

**ALTERNATIVES TO BILL**

**A. Funding Level**

1. Approve the Governor's recommendation.

<b>ALT A1</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	\$0	\$11,576,000

2. *Establish Prorate Provision.* Modify the bill to specify that in June of each fiscal year, HEAB would determine the total amount of remissions provided in that year by the UW System and WTCS. If the total amount of remissions exceeds the amount of available funding, authorize HEAB to prorate the payments to the UW System and WTCS districts by reimbursing the same percentage of total remissions at each institution and district.

<b>ALT A2</b>	<b>Change to Bill Funding</b>	<b>Change to Base Funding</b>
GPR	\$0	\$11,576,000

3. *Additional Funding with Prorate Provision.* Modify Alternative A2 to provide an additional \$6,886,300 in 2007-08 and \$7,737,700 in 2008-09, which would fund 50% of the estimated amount of tuition remissions in the 2007-09 biennium. This funding would be provided in

a sum certain appropriation with a prorate provision as under Alternative A2.

ALT A3	Change to Bill Funding	Change to Base Funding
GPR	\$14,624,000	\$26,200,000

4. *Additional Funding with Sum Sufficient Appropriation.* Modify the bill to specify that in June of each fiscal year, HEAB would determine the total amount of remissions provided in that year by the UW System and WTCS. Provide that the reimbursement appropriation would be a sum sufficient appropriation equal to 50% of the amount determined by HEAB. Provide an additional \$6,886,300 in 2007-08 and \$7,737,700 in 2008-09, which would fund 50% of the estimated amount of tuition remissions in the 2007-09 biennium.

ALT A4	Change to Bill Funding	Change to Base Funding
GPR	\$14,624,000	\$26,200,000

5. Delete provision.

ALT A5	Change to Bill Funding	Change to Base Funding
GPR	-\$11,576,000	\$0

**B. Clarify the Application of the Current Limit of 128 Credits**

1. Specify that the current limit of 128 credits for tuition remissions would apply to the sum of remissions received by an individual at all UW System institutions and WTCS districts.

2. Maintain current law.

**C. Establish Deadline for Claiming Remission**

1. Specify that an eligible person would have to claim the remission by the end of each semester in which tuition and fees are to be remitted.

2. Maintain current law.

**D. Eligibility Requirements**

1. Provide tuition and fees remissions for undergraduate work only.
2. Provide tuition and fees remissions for veterans only during the first 10 years following their separation from service.
3. Maintain current law.

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