

Fiscal Estimate - 2009 Session

Original Updated Corrected Supplemental

LRB Number 09-3952/3	Introduction Number AB-0804	
Description Remission of fees for veterans and their dependents enrolled in the University of Wisconsin System or in a technical college		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect		
<input type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations	<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	
	<input type="checkbox"/> Decrease Costs	
Local:		
<input type="checkbox"/> No Local Government Costs		
<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected		
<input type="checkbox"/> Towns	<input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties	<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts	<input type="checkbox"/> WTCS Districts	
Fund Sources Affected Affected Ch. 20 Appropriations		
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS		
Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives
UWS 3/22/2010

LRB Number 09-3952/3	Introduction Number AB-0804	Estimate Type Original
Description Remission of fees for veterans and their dependents enrolled in the University of Wisconsin System or in a technical college		

Assumptions Used in Arriving at Fiscal Estimate

Overview

The Wisconsin GI Bill remits tuition and segregated fees for qualifying Wisconsin veterans and their children, spouses, and surviving spouses at University of Wisconsin and Wisconsin Technical College institutions. In 2008-09, the University of Wisconsin System remitted \$21.6 million in tuition and segregated fees under this program. Based on the available preliminary reports from UW institutions, it is estimated that the University of Wisconsin System will remit \$18.7 million over the 2009-10 fiscal year.

The current 2009-10 estimate is significantly lower than the \$25.8 million in 2009-10 remissions estimated in January 2008. The reduction is largely the result of changes made in the 2009-11 Biennial budget (WI Act 28) which substituted federal Post-9/11 GI Bill payments for Wisconsin GI Bill remissions in providing education benefits to Wisconsin veterans.

AB-804

The proposed legislation (AB-804) makes four changes to the Wisconsin GI Bill that may have a fiscal impact: 1) Change to the Application of the Post-9/11 GI Bill, 2) Change to Application of the Vocational Rehabilitation and Employment Program, 3) Change to the Application of Reserve Officers' Training Corps Payments, and 4) Administrative Costs.

1) Change to the Application of the Post-9/11 GI Bill

In June 2009, Wisconsin passed the 2009-11 Biennial Budget (WI Act 28). As part of the budget, the Wisconsin GI Bill was modified to require most students to use benefits provided under the federal Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill) before accessing Wisconsin GI Bill benefits [Wis. Stats. 36.27(3n)(bg) and 36.27(3p)(bg)]. Exceptions to this requirement are described on pages 1 and 2 of http://gibill.wisconsin.edu/WI_GI_Bill_Revisions.pdf.

The legislation also requires the University of Wisconsin to "grant a full remission of nonresident tuition, academic fees, and segregated fees charged for 128 credits...less the amount of any academic fees or segregated fees paid under" the Post-9/11 GI Bill [Wis. Stats. 36.27(3n)(b) and 36.27(3p)(b)]. The proposed legislation modifies this language.

Under the proposal, the Post-9/11 GI Bill will not interact with the number of credits that may be remitted under the Wisconsin GI Bill.

With these changes, students will be able to use the Post-9/11 GI Bill to fund their undergraduate education and the Wisconsin GI Bill to fund graduate, professional, or continuing education.

Determining the cost of this modification is difficult as the future behavior of Wisconsin GI Bill participants is unclear. Veteran students tend to be older and more established than traditional students and may not wish to continue their education.

However, eligible veterans may elect to use the Wisconsin GI Bill for graduate education, notably MBA and online programs, at a higher rate than non-veterans as there is a lower educational cost to bear. As there is no time limit on the Wisconsin GI Bill, students may pursue part-time education to minimize the impact on other life activities. High unemployment and increased federal financial aid for veterans may also encourage college participation.

The following attempts to roughly estimate the potential increase in Wisconsin GI Bill remissions associated with the proposed legislation. Please note that data from 2008-09 is used as data for 2009-10 is not yet available.

Children and Spouses

For the purposes of this analysis; children and spouses using the Wisconsin GI Bill are excluded. The proposed legislation would only apply to those children and spouses who had Post-9/11 GI Bill benefits transferred to them from a parent or spouse. The number of students in this category is expected to be small.

And, students in this category can already separate their state and federal education benefits by asking the parent or spouse to revoke their transferred benefit until after the student has exhausted their Wisconsin GI Bill benefits.

Undergraduate Veterans using the Wisconsin GI Bill

In Fall 2008, there were 2,175 undergraduate veterans using the Wisconsin GI Bill. Special students are excluded for clarity. This may underestimate the increase in Wisconsin GI Bill remissions

The analysis assumes that the program will grow by 234 veterans in Fall 2009 based on the growth between Fall 2007 and Fall 2008. This results in the following Wisconsin GI Bill use by undergraduate veteran students:

Fall 2005.....894
Fall 2006.....1,352
Fall 2007.....1,941
Fall 2008.....2,175
Fall 2009.....2,409

Undergraduate Graduation Rates

Of veterans enrolled in 2005-06, 43.9 percent have used over 96 credits of Wisconsin GI Bill benefits as of Fall 2008. Based on this data, the analysis assumes that 43.9 percent of veterans will graduate four years after first enrolling. This is comparable to the systemwide six-year graduation rate of 65.1 percent for new freshmen entering a UW institution (see UW System's Growth Agenda Accountability Report <http://www.uwsa.edu/opar/accountability/>).

This assumption likely overestimates the immediate fiscal impact as students may not graduate in four years. However, these students are still likely to graduate within six years.

Given these assumptions, the analysis anticipates the following numbers of undergraduate veterans using the Wisconsin GI Bill to graduate during each year:

2010.....594
2011.....852
2012.....955
2013....1,058

Graduate School Enrollment

In Fall 2008, there were 344 veterans using the Wisconsin GI Bill enrolled in graduate and professional studies – roughly 14 percent of all veterans using the Wisconsin GI Bill.

The 2006-08 American Community Survey estimates that the highest education attainment for 631,711 Wisconsin residents over 25 is a bachelor's degree, and 317,838 residents have a graduate or professional degree. This suggests that roughly 33 percent of Wisconsin residents continue to graduate school. Note that this is a rough approximation which does not account for migration.

Given the uncertainty in the behavior of the student veteran population, a graduate participation rate of 24 percent, the average of 14 and 33 percent, is used for the analysis.

This suggests that the following number of additional veterans will enroll in graduate school using the Wisconsin GI Bill:

2010-11....143
2011-12....204
2012-13....229
2013-14....254

Please note that this table assumes that students will enroll in graduate or professional school immediately following graduation. This assumption likely overestimates the increase in Wisconsin GI Bill remissions over the next four years. The table also does not include students who may use the Wisconsin GI Bill for continuing education or career retooling, which underestimates the increase in remissions.

Post-9/11 GI Bill Eligibility

The proposed legislation only impacts those veterans that are eligible for some Post-9/11 GI Bill benefits. Early estimates of potential Post-9/11 GI Bill eligibility based on a review of service records suggest that 75 percent of veterans using the Wisconsin GI Bill would be eligible for some Post-9/11 GI Bill benefits.

This results in a target group as follows:

2010-11.....	107
2011-12.....	153
2012-13.....	172
2013-14.....	191

Weighted Graduate Tuition

In order to project the enrollment behavior, a weighted average of the tuition and fees for veterans currently using the Wisconsin GI Bill for graduate and professional studies was calculated. The weighted average of tuition and fees is \$4,724 per semester.

Consistent with recent tuition increases, the analysis assumes a 5.5 percent tuition and fee increase per year.

School.....	Enrollment.....	Semester Tuition and Fees
UW-Madison – Graduate.....	37.....	\$5,257
UW-Madison –Law.....	18.....	\$8,211
UW-Madison-Medicine.....	8.....	\$11,797
UW-Madison – Pharmacy.....	6.....	\$6,961
UW-Milwaukee.....	95.....	\$4,999
UW-Eau Claire.....	13.....	\$3,814
UW-Green Bay.....	14.....	\$3,978
UW-La Crosse.....	16.....	\$3,835
UW-Oshkosh.....	27.....	\$3,789
UW-Parkside.....	4.....	\$3,809
UW-Platteville.....	26.....	\$3,848
UW-River Falls.....	5.....	\$3,830
UW-Stevens Point.....	3.....	\$3,868
UW-Stout.....	29.....	\$3,271
UW-Superior.....	3.....	\$3,936
UW-Whitewater.....	40.....	\$3,753

Please note that this table does not include the potentially higher cost of MBA programs as enrollment in MBA programs is not differentiated from enrollment in other graduate courses. This underestimates the remission increase.

Rate of Pursuit of Graduate Veteran Students

Based on Fall 2008 data, about 45 percent of veterans using the Wisconsin GI Bill are taking 8 or more graduate or professional credits. This analysis will assume that these are full time students. The remaining 55 percent will be assumed to be attending at half time.

The estimate also assumes that students graduate after two years if they are enrolled full time and after four years if they are half time. This underestimates the increase in remissions as graduate programs can take more than four years to complete. However, this assumption does mitigate some of the variance caused by veterans being eligible for different Post-9/11 GI Bill benefit levels. For example, if a veteran was eligible for a 40 percent Post-9/11 GI Bill benefit, the student would have 51 additional credits (roughly two years) available for graduate or professional education.

These assumptions result in the following projected graduate enrollments:

Year.....Full time.....Part time

2010-11.....48.....	59
2011-12.....117.....	143
2012-13.....146.....	238
2012-14.....163.....	343

Estimated Remission Increase

Based on these assumptions and conditions, the analysis estimates the following increase in tuition remissions:

2010-11.....	\$772,492
2011-12.....	\$1,982,240
2012-13.....	\$2,939,972
2013-14.....	\$3,915,127

Please note that the tuition remissions increase each year for three reasons. First, the cost of tuition increases annually. Second, because students do not graduate in a single year, remissions must be granted to continuing students and new graduate students. Third, as the number of veterans graduating each year grows, more veterans will be eligible for graduate remissions.

This analysis excludes summer and winter terms, which underestimates remission growth. The potential for students to discontinue their graduate studies prior to graduation is also not considered, which may overestimates remission growth.

The analysis may overestimate remissions in 2010-11 as some veterans who have been using federal military education benefits may not be required to use their Post-9/11 GI Bill benefits. Anecdotal evidence suggests that these veterans may already have elected to use the Post-9/11 GI Bill. As no data exists on veteran behavior, this variable is not considered.

Conclusion

Based on the above analysis, the proposed legislation is estimated to increase Wisconsin GI Bill remissions by \$9.6 million from 2010-11 through 2013-14. Given the underestimation resulting from a number of the assumptions, this estimate is expected to be conservative. Notably, this estimate does not include the increase in remissions for continuing education at UW and Wisconsin Technical College institutions.

2) Change to the Application of the Vocational Rehabilitation and Employment Program

A veteran's tuition and fees may be paid under the federal Vocational Rehabilitation and Employment Program (Chapter 31). Under the proposed legislation, this program will not interact with the number of credits that may be remitted under the Wisconsin GI Bill. According to data generated by the federal VA in March 2009, there are 194 veterans receiving Vocational Rehabilitation and Employment benefits in the University of Wisconsin System.

This federal benefit is offered to a different subset of veterans than the Post-9/11 GI Bill. Chapter 31 is primarily a vocational rehabilitation benefit, and veterans may have different educational goals than their Post-9/11 GI Bill counterparts. No information is available on the likely hood of this group of veterans electing to pursue a graduate education or continuing education.

3) Change to the Application of Reserve Officers' Training Corps Payments

A student's tuition and fees may be paid under the Reserve Officers' Training Corp. Under the proposed legislation, this program will not interact with the number of credits that may be remitted under the Wisconsin GI Bill.

In 2008-09, 122 resident students paid for tuition and fees through the Reserve Officers' Training Corps at University of Wisconsin institutions. While these students are likely to complete a baccalaureate degree and be eligible for later graduate study, these students may not choose to pursue additional studies until after they have completed their military service commitment. As such, it is not known when the additional remissions generated under this legislation will occur.

4) Administrative Costs

The proposed legislation retroactively applies to Spring 2010 [Sections 5 and 6]. However, the changes

made by the 2009-11 Biennial Budget became effective for some students in Fall 2009. Should the proposed legislation become law in its current form, the University of Wisconsin will be required to apply the changes made by the 2009-11 biennial budget to Fall 2009 and to apply the proposed legislation to Spring 2010 and beyond.

Tracking these incongruent policies will require adjustments to the Wisconsin GI Bill database and additional administrative resources. A cost estimate cannot be made as the number of students who would need to be tracked separately has not yet been reported.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Description Remission of fees for veterans and their dependents enrolled in the University of Wisconsin System or in a technical college			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes	\$3,915,000		\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
TOTAL State Costs by Category	\$3,915,000		\$
B. State Costs by Source of Funds			
GPR	3,915,000		
FED			
PRO/PRS			
SEG/SEG-S			
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
	Increased Rev	Decreased Rev	
GPR Taxes	\$	\$	
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
TOTAL State Revenues	\$	\$	
NET ANNUALIZED FISCAL IMPACT			
	State	Local	
NET CHANGE IN COSTS	\$3,915,000	\$	
NET CHANGE IN REVENUE	\$	\$	
Agency/Prepared By			
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