

Fiscal Estimate - 2011 Session

Original
 Updated
 Corrected
 Supplemental

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|--|-----------------------------------|
| LRB Number 11-0915/1 | Introduction Number SB-053 |
| Description Remission of fees for veterans and their dependents enrolled in the University of Wisconsin System or in a technical college and making an appropriation. | |
| 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 checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Decrease Existing Revenues <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Create New Appropriations <input type="checkbox"/> Decrease Costs | |
| Local: | |
| <input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs 3. <input type="checkbox"/> Increase Revenue 5. Types of Local Government Units Affected <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities 2. <input type="checkbox"/> Decrease Costs 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts | |
| Fund Sources Affected | |
| <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 | |
| Affected Ch. 20 Appropriations | |
| Agency/Prepared By | Authorized Signature |
| UWS/ Paige Rusch (608) 263-3307 | Freda Harris (608) 262-2734 |
| | Date |
| | 4/21/2011 |

Fiscal Estimate Narratives
UWS 4/21/2011

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|---|-----------|---------------------|--------|---------------|----------|
| LRB Number | 11-0915/1 | Introduction Number | SB-053 | Estimate Type | Original |
| Description | | | | | |
| Remission of fees for veterans and their dependents enrolled in the University of Wisconsin System or in a technical college and making an appropriation. | | | | | |

Assumptions Used in Arriving at Fiscal Estimate

Overview

The Wisconsin GI Bill remits tuition and segregated fees for for qualifying Wisconsin veterans, their children and surviving spouses at University of Wisconsin and Wisconsin Technical College System institutions. In fiscal year 2009-10 the University of Wisconsin System remitted \$17.0 million in tuition and \$2.1 million in segregated fees. The \$17.0 million figure was somewhat lower than anticipated as a result of partial implementation of the federal Post-9/11 GI Bill. Based on preliminary data from UW campuses the UW System anticipates remitting \$15.2 million in tuition and fee costs in fiscal year 2010-11. The reduction from fiscal year 2009-10 is due to increased revenue under the federal Post-9/11 GI Bill. The Post-9/11 GI Bill will support approximately \$15.9 million in tuition and fee costs in fiscal year 2010-11 based on preliminary data from UW institutions. The total value of benefits under the Post-9/11 Bill and tuition remission under the Wisconsin GI Bill is anticipated to be \$31.1 million according to preliminary data.

Senate Bill 53

Estimating the fiscal impact of Senate Bill 53 is difficult in light of uncertainty over implementation of the recently enacted federal Post-9/11 Veterans Education Assistance Act of 2010. The act signed into law by President Obama on January 3, 2011 is designed to simplify the original Post-9/11 GI Bill and to increase the pool of eligible veterans. However, the federal law includes a provision that requires federal Post-9/11 educational assistance be paid only after the application of any waiver of, or reduction in tuition and fees from any source, including state veterans benefits programs. The U.S. Department of Veterans Affairs may interpret this provision in a manner that penalizes Wisconsin because the Wisconsin GI Bill is a so called "first payer" and requires the University of Wisconsin System and the Technical College System to provide 100% of tuition and fee remission. Assuming the Wisconsin GI Bill is not modified the UW System and the Technical College System will be required to forgo federal tuition and fee revenue that currently serves to moderate the overall cost of the Wisconsin GI Bill Benefit. The potential loss of federal revenue under Post-9/11 will increase costs under the Wisconsin GI Bill dramatically.

Since its implementation in spring of 2010, the Post-9/11 GI Bill has supported an increasing share of the cost of veterans' benefits. The Post-9/11 benefit was first used by significant numbers of University of Wisconsin students in the spring 2010 semester. As shown in the table below, Post-9/11 funding is projected to exceed \$15.8 million in fiscal year 2010-11 and cover over half the total cost of providing tuition and fee benefits to veterans as well as eligible children and spouses.

| FY | Tuition | Seg Fees | Post-911 | Total | Total Change | Tuition Change | Seg Change |
|-----------|--------------|-------------|--------------|--------------|--------------|----------------|------------|
| 2006 | \$3,814,065 | \$578,697 | | \$4,392,762 | | | |
| 2007 | \$6,595,216 | \$1,008,500 | | \$7,603,716 | 73% | 73% | 74% |
| 2008 | \$15,603,732 | \$2,068,604 | | \$17,672,336 | 132% | 137% | 105% |
| 2009 | \$19,226,677 | \$2,470,914 | | \$21,697,591 | 23% | 23% | 19% |
| 2010 | \$16,990,996 | \$2,136,957 | \$8,178,744 | \$27,306,697 | 26% | 12% | 14% |
| 2011(est) | \$13,485,715 | \$1,742,486 | \$15,881,154 | \$31,109,355 | 14% | -21% | -18% |

Tuition Remission Component

Fiscal Year 2010-11 is the first full year in which the Post-9/11 GI Bill has been in effect and consequently provides a starting point for estimating costs under SB 53. In addition to a full year of experience with the Post-9/11 benefit the number of veterans accessing benefits appears to have stabilized at around 4,100. The number of spouses and children accessing benefits continues to rise however and now stands at nearly 1,400. Assuming that a) the total of value of tuition and fee benefits rises at an annual rate of 14%; and b) the share of costs supported by the Wisconsin GI Bill and the Post-9/11 GI Bill are consistent with experience in fiscal year 2010-11; and c) provisions of the Veterans Education Assistance Act of 2010 are interpreted in a way consistent with current practice the sum sufficient appropriation proposed under SB 53 would provide the following amounts in FY11, FY12, & FY 13 to support tuition remissions on behalf of UW System students:

FY11: \$13,485,715
FY12: \$15,373,716
FY13: \$17,526,036

Assuming the total cost of providing tuition benefits increases by 14% annually and the federal VA interprets provisions of the Post-9/11 Veterans Education Assistance Act of 2010 in a way that is unfavorable to Wisconsin the sum sufficient appropriation proposed under SB 53 would provide the following amounts in FY11, FY12, & FY 13 for tuition remissions on behalf of UW System students:

FY11: \$13,485,715
FY12: \$35,464,665
FY13: \$41,300,268

Supplemental Payment Component

Wisconsin law requires that the UW System and the Technical College System reimburse students for the difference between the value of

certain federal education benefit programs students may be eligible for and the value of the Post-9/11 benefit that state law requires students use if eligible. The reimbursement reflects the difference in values between benefit packages, and is termed the "supplemental payment". Supplemental payments vary for individual students based on a host of factors including an individual student's credit load, campus location and the level and type of the federal education benefits both used and relinquished. Fiscal Year 2010-11 is the first full year of experience with calculating supplemental payments. Assuming the relative values of different federal education benefits remain constant the annual cost of supplemental payments will be approximately \$1.8 million annually.

Deduction of Credits Paid By the Post-9/11 GI Bill

State law currently requires the UW System and the Wisconsin Technical College System to deduct credits against a student's Wisconsin GI Bill limit of 128 credits irrespective of whether some portion of a student's credits are supported by the federal Post-9/11 GI Bill. SB 53 would retroactively eliminate the deduction of any credits that were supported with payments under the Post-9/11 GI Bill. For a student who is 100% Post-9/11 eligible this provision will effectively provide up to 8 years of no cost tuition and fee benefits. At a comprehensive campus such as UW-LaCrosse this combination of state and federal benefits could yield, for a student who chooses/opts to attend graduate school, a total individual package of state and federal education benefits valued over \$82,000 over four years, \$103,000 over six years and \$125,000 over eight years.

In addition, the impact of Senate Bill 53 is difficult to determine in light of uncertainty over implementation of the recently enacted federal Post-9/11 Veterans Education Assistance Act of 2010. That law includes a provision that requires federal Post-9/11 educational assistance be paid only after the application of any waiver of, or reduction in tuition and fees from any source, including state veterans benefits programs. The U.S. Department of Veterans Affairs may interpret this provision in a manner that penalizes Wisconsin because the Wisconsin GI Bill is a so called "first payer" and requires the University of Wisconsin System and the Technical College System to provide 100% of tuition and fee remission. If the Wisconsin GI Bill is determined to be "first payer" the Post-9/11 GI Bill will pay nothing and the Wisconsin GI Bill will support 100% remission for all credits on an ongoing basis and therefore credits will be deducted from a student's 128 credit on a one to one basis.

However under current law the Post-9/11 benefit has supported credits in fiscal year 2009-10 and fiscal year 2010-11. In fiscal year 2009-10, Post-9/11 supported approximately 33,601 credits with a value of \$8.2 million. Preliminary data indicated the Post-9/11 benefit will support 57,919 credits in 2010-11 with a value of \$15.8 million. It is possible, but highly unlikely, that all Post-9/11 eligible veterans would seek to extend their educational careers to the point where they used these credits. A more reasonable assumption is that approximately 25% of these credits may be used by veterans who either choose to extend their undergraduate career or attend graduate schools at a UW institution. The assumption that 25% of the federally supported credits are subsequently used under the Wisconsin GI Bill yields an annualized yearly cost of \$4 million to the cost of Wisconsin GI Bill remissions. Different assumptions about the future use of federally subsidized credits under the Wisconsin GI Bill would yield significantly different results.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2011 Session

Detailed Estimate of Annual Fiscal Effect

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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 and making an appropriation. | | | |
| 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 | \$21,200,000 | | \$ |
| (FTE Position Changes) | | | |
| State Operations - Other Costs | | | |
| Local Assistance | | | |
| Aids to Individuals or Organizations | | | |
| TOTAL State Costs by Category | \$21,200,000 | | \$ |
| B. State Costs by Source of Funds | | | |
| GPR | 21,200,000 | | |
| 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 | | | |
| | <u>State</u> | <u>Local</u> | |
| NET CHANGE IN COSTS | \$21,200,000 | | \$ |
| NET CHANGE IN REVENUE | \$ | | \$ |
| Agency/Prepared By | | Authorized Signature | Date |
| UWS/ Paige Rusch (608) 263-3307 | | Freda Harris (608) 262-2734 | 4/21/2011 |