



Legislative Fiscal Bureau

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Joint Committee on Finance

Paper #806

Educational Grants Reimbursements (Veterans Affairs -- General Agency Provisions)

[LFB 2003-05 Budget Summary: Page 458, #6]

CURRENT LAW

Tuition and Fee Reimbursement Grant (TFRG) Program. Tuition and fee grant reimbursements equal to 85% of the cost of tuition and fees for a UW-Madison resident undergraduate are authorized if the qualifying veteran is engaged in full-time study and attends any institution or center within the UW system, a proprietary school approved by the Educational Approval Board, a state technical college or a similar institution that has a tuition reciprocity agreement with Wisconsin. 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. The base level of funding for the tuition and fee reimbursement grant program is \$1,907,900 SEG annually.

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.

Part-Time Study Grant (PTSG) Program. This related program provides reimbursement of up to 85% 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.

Grants are authorized if the qualifying veteran attends an institution of higher education in the state, a proprietary school approved by the Educational Approval Board, or a public or

private high school. The base level of funding for the part-time study grant program is \$608,300 SEG annually.

Requests for reimbursement under either program 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.

Eligibility for both programs 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. Provide \$290,400 SEG in 2003-04 and \$664,200 SEG in 2004-05 to fund anticipated grant cost increases. The recommended funding increase is based on a projected 17% annual increase in undergraduate resident tuition and fees at the Madison campus.

Revise the program eligibility standards to allow eligible veterans to receive tuition and fee reimbursements for courses that begin within ten years after separation from military service. Under current law, veterans may be reimbursed for courses that are completed within that ten-year period.

Part-Time Study Grant Program. Provide \$65,100 SEG in 2003-04 and \$179,600 SEG in 2004-05 to fund anticipated grant cost increases. The recommended funding increase is based on a projected 17% annual increase in undergraduate resident tuition and fees at the Madison campus.

DISCUSSION POINTS

1. *Tuition and Fee Reimbursement Grant Program (TFRG).* 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%.

2. 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.

3. Provisions of 1999 Wisconsin Act 9 increased the TFRG program's reimbursement rate from 50% to 65% of the undergraduate resident tuition and fees charged at the UW-Madison.

4. Provisions of 2001 Wisconsin Act 16 increased the TFRG program's reimbursement rate from 65% to 85% of the undergraduate resident tuition and fees charged at the UW-Madison.

and authorized educational reimbursements for qualifying veterans who attend proprietary schools approved by the Educational Approval Board.

5. *Funding Needs for the Current TFRG Program.* The Governor's funding recommendations for 2003-04 and 2004-05 have been based on a 17% annual tuition rate increase at the UW-Madison and program usage levels tied to average grant use between 2000-01 and 2002-03. The Governor's TFRG program usage and funding assumptions are summarized in the following table.

TABLE 1

**Governor's Tuition and Fee Reimbursement
Grants Usage and Funding Projections**

	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Total Reimbursement</u>	<u>Change to Base</u>
2000-01	1,165	\$983	\$1,144,652	---
2001-02	1,257	1,410	1,772,200	---
2002-03 (est.)	1,211*	1,523	1,843,900	---
2003-04 (est.)	1,234**	1,781	2,198,300	\$290,400
2004-05 (est.)	1,234**	2,084	2,572,100	664,200

*Projected figures based on average of 2000-01 and 2001-02 grants usage.

**Projected figures based on average of 2001-02 and 2002-03 grants usage.

6. The Governor's estimates for program participation levels in 2002-03 and 2004-05 appear reasonable. However, it is now estimated that the tuition increases for 2003-04 will be approximately 17.4% and for 2004-05 will be approximately 14.8%. Further, based on actual reimbursement payments for the first nine months of 2002-03, it is estimated that the average TFRG payment for 2002-03 (base year) will be \$1,584. The following table restates the estimated cost of the TFRG program in the next biennium, based on these new figures.

Revised Tuition and Fee Reimbursement Grant Funding Needs

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursement</u>	<u>Change to Governor</u>
2003-04	1,234	\$1,860	\$2,295,200	\$96,900
2004-05	<u>1,234</u>	2,135	<u>2,634,600</u>	<u>62,500</u>
Total	2,468		\$4,929,800	\$159,400

7. Based on these projections, \$96,900 SEG in 2003-04 and \$62,500 SEG in 2004-05 would be required to fully fund the TFRG program during the next biennium.

8. *Alternative Reimbursement Rate.* As part of the DVA's 2003-05 biennial budget request, the agency asked for funding sufficient to increase TFRG reimbursements from 85% to 100% of the resident undergraduate tuition and fees at UW-Madison. This proposal was not recommended by the Governor. At the agency's budget public hearing, the agency again asked for this reimbursement rate change.

9. The apparent rationale for the request is that currently the TFRG program's reimbursement rate is 85% and the reimbursement rate for the National Guard tuition grant program under the Department of Military Affairs (DMA) is 100%. However, under DVA's reimbursement program, 85% of tuition *and fees* is reimbursed, while under DMA's program, 100% of tuition *only* is reimbursed.

10. As previously identified in Paper #505 on DMA's National Guard tuition grant program, if that program operated to provide an 85% reimbursement for both tuition and fees, the program would require an additional \$2,057,500 GPR during the next biennium than would be required under the current law reimbursement rate of 100% of tuition.

11. Thus, it can be argued that DVA's current TFRG program that reimburses 85% of both tuition and fees is at least as generous as the current DMA program that reimburses 100% of tuition only. The Committee could conclude, therefore, that no further adjustment would be necessary to create parity between the TFRG program and the DMA program. It appears that this parity already exists, and the TFRG program may, in fact, be the more generous benefit as currently structured.

12. Nonetheless, if the Committee chooses to modify the TFRG program to provide reimbursements at 100% of tuition and fees for a UW-Madison resident undergraduate, the following additional costs are projected:

**Projected Tuition and Fee Reimbursement Grant Funding Needs
(100% Reimbursement Rate)**

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Cost</u>	<u>Change to Governor</u>
2003-04	1,234	\$2,194	\$2,707,400	\$509,100
2004-05	<u>1,234</u>	2,519	<u>3,108,400</u>	<u>536,300</u>
Total	2,468		\$5,815,800	\$1,045,400

13. Based on these projections, \$509,100 SEG in 2003-04 and \$536,300 SEG in 2004-05 would be required to fund a 100% reimbursement rate for tuition and fees, compared to the Governor's proposal.

14. *Funding Needs for the Current Part-Time Study Grant Program.* The Governor's funding recommendations for \$65,100 SEG in 2003-04 and \$179,600 SEG in 2004-05 have been based on a 17% annual tuition rate increase at the UW-Madison and program usage levels based on average grant use between 2000-01 and 2002-03. The Governor's PTSG program usage and funding needs are summarized in the following table:

Governor's Part-Time Study Grants Usage and Funding Projections

<u>Fiscal Year</u>	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Total Reimbursement</u>	<u>Change to Base</u>
2000-01	1,010	\$423	\$427,500	---
2001-02	1,028	521	535,300	---
2002-03 (est)	1,019*	562	573,000	---
2003-04 (est)	1,024**	658	673,400	\$65,100
2004-05 (est)	1,024**	770	787,900	179,600

*Projected figures based on average of 2000-01 and 2001-02 grants usage.

**Projected figures based on average of 2001-02 and 2002-03 grants usage.

15. The Governor's estimates for participation rates appear reasonable. However, it is now estimated that the tuition increases for 2003-04 will be approximately 17.4% in 2003-04 and for 2004-05 will be approximately 14.8%. Further, based on the tuition payments for the first nine months of 2002-03, it is estimated that the average PTSG payment for 2002-03 (base year) will be \$587. The following table restates the estimated cost of the PTSG program, based on these new figures.

Revised Part-Time Study Grant Funding Needs

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Reimbursements</u>	<u>Change to Governor</u>
2003-04 (est)	1,024	\$689	\$705,500	\$32,100
2004-05 (est)	<u>1,024</u>	791	<u>810,000</u>	<u>22,100</u>
Total	2,048		\$1,515,500	\$54,200

16. Based on these projections, \$32,100 SEG in 2003-04 and \$22,100 SEG in 2004-05 would be required to fully fund the PTSG program during the next biennium.

17. Further, if the Committee also chooses to increase the PTSG reimbursement rate from 85% to 100% of tuition and fees, the following table summarizes the projected increased costs:

**Projected Part-Time Study Grant Program Funding Needs
(100% Reimbursement Rate)**

<u>Fiscal Year</u>	<u>Number of Grants</u>	<u>Average Grant</u>	<u>Total Cost</u>	<u>Change to Governor</u>
2003-04	1,024	\$812	\$831,500	\$158,100
2004-05	<u>1,024</u>	932	<u>954,400</u>	<u>166,500</u>
Total	2,048		\$1,785,900	\$324,600

18. Based on these projections, \$158,100 SEG in 2003-04, and \$166,500 SEG in 2004-05 would be required to fund a 100% reimbursement rate for PTSG tuition and fees, compared to the Governor's proposal.

19. *Appropriation Type.* Currently, the DMA's National Guard tuition grant program is funded under a biennial appropriation. This arrangement has accorded DMA some flexibility in managing unanticipated fluctuations in program usage from year-to-year.

20. While DVA's TFRG and PTSG programs have generally had stable participation rates from year-to-year and the adequacy of program funding under the agency's current SEG annual appropriations has not presented a problem for program administrators, the Committee could choose to fund both the TFRG and the PTSG programs under biennial appropriations. The change would provide additional funding flexibility for the Department for both programs.

ALTERNATIVES

A. Tuition and Fee Reimbursement Grants

1. Approve the Governor's recommendation to provide \$290,400 SEG in 2003-04 and \$664,200 SEG in 2004-05 for the tuition and fee reimbursement grant program and to make minor changes in program eligibility standards.

2. Modify the Governor's recommendation by providing \$96,900 SEG in 2003-04 and \$62,500 SEG in 2004-05 to reflect revised estimates of the program's costs during the next biennium.

<u>Alternative A2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	\$159,400

3. Modify the Governor's recommendation by specifying that tuition and fee reimbursement grants would be based on the lesser of the actual tuition and fee costs or 100% of resident undergraduate tuition and fees at UW-Madison.

<u>Alternative A3</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	\$1,045,400

4. Delete the Governor's recommendation.

<u>Alternative A4</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	- \$954,600

B. Part-Time Study Grants

1. Approve the Governor's recommendation to provide \$65,100 SEG in 2003-04 and \$179,600 in 2004-05 to fund anticipated part-time study grant increases.

2. Modify the Governor's recommendation by providing \$32,100 SEG in 2003-04 and \$22,100 SEG in 2004-05 to reflect revised estimates of the program's costs during the next biennium.

<u>Alternative B2</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	\$54,200

3. Modify the Governor's recommendation by specifying that part-time study grant program reimbursements would be up to 100% of actual tuition and fee costs based on resident undergraduate tuition and fees at UW-Madison.

<u>Alternative B3</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	\$324,600

4. Delete the Governor's recommendation.

<u>Alternative B4</u>	<u>SEG</u>
2001-03 FUNDING (Change to Bill)	- \$244,700

C. Biennial Appropriations

In addition to any of the above Alternatives:

1. Convert DVA's tuition and fee reimbursement program appropriation [s. 20.485(2)(tf) of the statutes] and part-time classroom study grant appropriation [s. 20.485(2)(th) of the statutes] from annual to biennial.
2. Maintain current law.

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