



Legislative Fiscal Bureau

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

May 16, 2001

Joint Committee on Finance

Paper #605

National Guard Tuition Grant Program (Military Affairs -- Agencywide)

[LFB 2001-03 Budget Summary: Page 448, #2]

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 or an accredited institution of higher education.

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. The program is funded under a biennial appropriation. Base level funding for the tuition grant program is \$3,589,400 GPR annually.

GOVERNOR

Provide an additional \$687,900 GPR in 2001-02 and \$965,300 GPR in 2002-03 to fund increased program costs due to tuition adjustments and modest increases in the projected number of National Guard members utilizing the program. Clarify that an eligible school for the purposes of the program would be an accredited institution of higher education, as defined under 20 *U. S. Code* 1002, which defines such institutions for federal student financial assistance purposes.

DISCUSSION POINTS

1. Chapter 29, Laws of 1977, first established the tuition grant program as a recruiting incentive for National Guard members. The program has been the subject of numerous modifications and adjustments over the years:

- Chapter 29, Laws of 1977, initially provided for a tuition grant equal to 50% of actual tuition costs at the UW-Madison for up to eight semesters of fulltime study. The program was open only to new recruits to the National Guard. Tuition grants were also limited to those individuals who did not otherwise qualify for federal GI Bill benefits.

- Provisions of 1989 Wisconsin Act 31 lowered the reimbursement rate to 25% of tuition costs. However, eligibility for grants was extended to any member of the National Guard and to members who also qualified for federal GI Bill benefits.

- Provisions of 1991 Wisconsin Act 39 increased the tuition reimbursement grant to 50% of tuition. Eligibility for grants was extended to officers, warrant officers and fulltime technicians. A requirement that the tuition grants could be used only for undergraduate study was eliminated; however, the maximum reimbursement rate remained linked to 50% of undergraduate tuition at the UW-Madison.

- During the 1993-95 biennium, the program incurred several funding shortfalls. The Joint Committee on Finance supplemented the program during the 1993-94 fiscal year so that all pending reimbursement requests could be paid. The Department was directed to submit legislation to modify the program's criteria to enable it operate during the 1994-95 fiscal year within budget. Instead of submitting legislation to mitigate cost increases under the existing program, DMA instituted a one-semester moratorium on grants in the spring of 1995. Subsequently, 1995 Wisconsin Act 19 provided a one-time supplement to the program and allowed the spring semester grants to be paid.

- Provisions of 1995 Wisconsin Act 27 repealed program eligibility for officers, warrant officers and graduate students.

- Provisions of 1997 Wisconsin Act 27 increased the tuition reimbursement rate to 100% of the resident undergraduate tuition at UW-Madison and restored program eligibility for warrant officers.

2. *Funding Needs for the Current Program.* The Governor does not recommend any further statutory changes to the tuition grant reimbursement program but would provide \$687,900 GPR in 2001-02 and \$965,300 GPR in 2002-03 of additional funding to support projected cost increases. These additional costs are driven by an adjustment to the average grant reimbursement amount to reflect the impact of an anticipated tuition cost increases of 5.0% per academic year. The agency's projections also include an allowance for growth in program utilization of approximately 1.4% annually. Based on these assumptions, the Department's projected funding needs for the program are detailed below in Table 1.

TABLE 1

**DMA's Projected Tuition Grant Reimbursement Program Needs
(2001-02 Fiscal Year)**

	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Total Reimbursement</u>
Summer	230	\$586	\$134,900
Fall	1,800	1,151	2,071,200
Spring	<u>1,800</u>	<u>1,151</u>	<u>2,071,200</u>
Total	3,830	\$1,117	\$4,277,300
Less Base Level Funding			<u>-3,589,400</u>
Net Funding Need			\$687,900

(2002-03 Fiscal Year)

	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Total Reimbursement</u>
Summer	235	\$616	\$144,700
Fall	1,825	1,208	2,205,000
Spring	<u>1,825</u>	<u>1,208</u>	<u>2,205,000</u>
Total	3,885	\$1,172	\$4,554,700
Less Base Level Funding			<u>-3,589,400</u>
Net Funding Need			\$965,300

3. The Department's original projections of 5.0% tuition cost increases during each fiscal year of the next biennium appear reasonable, although more recent data is available on average reimbursements during the current fiscal year that can now be projected into the next biennium.

4. In addition, the agency's projections of program growth were based on 1999-00 fiscal year program utilization levels. More recent data on 2000-01 fiscal year actual program utilization levels are now available and should also be used to project likely program growth.

5. The revised projections of likely program utilization levels are presented below in Table 2 and continue to utilize the agency's modest 1.4% estimate of the rate of program growth. It is unlikely that program growth will exceed this projected rate of increase. Through the end of FFY 2000, National Guard strength is down 2.2% compared to FFY 1998 and the number of new National Guard recruits each year is down 5.4% during the same period. It can be expected that these trends will tend to hold the tuition grant program's growth to very modest levels over the next

few years as the eligible pool of Guard members stabilizes.

TABLE 2
Actual and Projected Tuition Grant Reimbursement Program Activity
(1997-98 through 2002-03)

Fiscal Year Terms Ending	Summer		Fall		Spring		Total	
	Number	% Change	Number	% Change	Number	% Change	Number	% Change
1997-98	182	---	1,485	---	1,611	---	3,278	---
1998-99	238	30.8%	1,633	10.0%	1,679	4.2%	3,550	8.3%
1999-00	220	-7.6	1,730	5.9	1,766	5.2	3,716	4.7
2000-01	221	-0.5	1,763*	1.9	1,737**	-1.6	3,721	0.1
2001-02***	224	1.4	1,788	1.4	1,761	1.4	3,773	1.4
2002-03***	227	1.4	1,813	1.4	1,786	1.4	3,826	1.4

* Based on 1,703 actual payments plus an anticipated additional 60 grant payments.

** Projected, based on a trend analysis of the number of grants paid during the past three fiscal years.

*** The estimated number of grants is based on the agency's projections of program utilization growth of 1.4% annually.

6. In Table 3, the estimated program utilization rates presented in Table 2 and the projected average grant reimbursement amounts (based on anticipated 5% tuition increases in each of the next two fiscal years) are used to develop revised cost projections for the tuition grant program. The average reimbursement figures are based on current year average reimbursement figures, adjusted to reflect the anticipated tuition adjustments. This projection also assumes that approximately 200 grant reimbursement requests from the preceding spring term will actually be received by the Department and then processed for payment (at the prior year's tuition rate) during the following fiscal year.

TABLE 3
Revised Estimate of Projected Tuition Grant Reimbursement Program Needs
(2001-02 Fiscal Year)

	Number of Reimbursements	Average Reimbursement	Total Cost
Spring 2001	200	\$1,067	\$213,400
Summer 2001	224	673	150,800
Fall 2001	1,788	1,120	2,002,600
Spring 2002	<u>1,561</u>	<u>1,120</u>	<u>1,748,300</u>
Total	3,773	\$1,091	\$4,115,100
Less Base Level Funding			<u>-3,589,400</u>
Revised Net Funding Need			\$525,700

(2002-03 Fiscal Year)

	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Total Cost</u>
Spring 2002	200	\$1,120	\$224,000
Summer 2002	227	707	160,500
Fall 2002	1,813	1,176	2,132,100
Spring 2003	<u>1,586</u>	<u>1,176</u>	<u>1,865,100</u>
Total	3,826	\$1,145	\$4,381,700
Less Base Level Funding			<u>-3,589,400</u>
Revised Net Funding Need			\$792,300

7. If the Committee chooses to fund the tuition grant reimbursement program based on these revised projections, it could reduce the funding levels recommended by the Governor by \$162,200 GPR in 2001-02 and \$173,000 GPR in 2002-03.

8. *Other Possible Program Changes.* As noted earlier, the tuition grant reimbursement program has been subject to various modifications in the past that have raised and lowered the reimbursement rate levels and modified eligibility criteria. The Committee could consider making additional changes to the program at this time.

9. The Committee could conclude that it would be desirable for the benefits provided under the DMA National Guard tuition grant reimbursement program to parallel the benefits structure currently provided under the Department of Veterans Affairs (DVA) Tuition and Fee Reimbursement Grant and Part-Time Study Grant programs. The current reimbursement rate for these DVA programs is 65% of the cost of tuition and fees for a UW-Madison resident undergraduate.

10. Arguments for making such a change would include: (a) the modification would establish a uniform 65% reimbursement rate and would achieve a degree of consistency of benefits across comparable program in the two agencies; and (b) during a period of scarce budget resources, the state would still be making a significant contribution towards National Guard members' educational advancement. Members would continue to be eligible for GI Bill educational benefits for men and women in the reserve branch of the Armed Forces.

11. Arguments against making such a change would include: (a) the possible adverse impact on recruitment and retention of National Guard members; and (b) the potentially disruptive impact of such a change on National Guard members who had embarked on an educational program in expectation that they would receive a 100% tuition reimbursement grant. In addition, although the current reimbursement rate for DVA's Tuition and Fee Reimbursement Grant and Part-Time Study Grant Programs is currently 65% of the cost of tuition and fees for a UW-Madison

undergraduate, the Governor's budget would increase that rate to 100%.

12. If the Committee chooses to make the National Guard tuition grant program parallel to the current DVA Tuition and Fee Reimbursement Grant and Part-Time Study Grant programs, the revised program would provide 65% of the cost of both tuition and fees for a UW-Madison resident undergraduate. Assuming that this modification would first be effective for the fall semester of 2001, the following Table 4 summarizes the likely costs that would be incurred, assuming no change in projected participation rates in the program.

TABLE 4

**Projected National Guard Tuition Grant Program Costs
with 65% of Tuition and Fees Reimbursed
(2001-02 Fiscal Year)**

	<u>Number of Reimbursements</u>	<u>Average Reimbursement</u>	<u>Total Cost</u>
Spring 2001	200	\$1,067*	\$213,400
Summer 2001	224	673*	150,800
Fall 2001	1,788	899**	1,607,400
Spring 2002	<u>1,561</u>	899**	<u>1,403,300</u>
Total	3,773		\$3,374,900
Less Base Level Funding			<u>-3,589,400</u>
Revised Net Funding Need			-\$214,500

(2002-03 Fiscal Year)

Spring 2002	200	\$899**	\$179,800
Summer 2002	227	501***	113,700
Fall 2002	1,813	943***	1,709,700
Spring 2003	<u>1,586</u>	943***	<u>1,495,600</u>
Total	3,826		\$3,498,800
Less Base Level Funding			<u>-3,589,400</u>
Revised Net Funding Need			-\$90,600

* Reimbursed under current law program.

** Includes \$171 reimbursement for fees (fall and spring).

*** Includes \$41 for fees (summer) and \$179 for fees (fall and spring)

13. If the Committee chooses to fund the tuition grant reimbursement program based on

a reimbursement rate of 65% of tuition and fees for a UW-Madison resident undergraduate, it could reduce the funding levels recommended by the Governor for this program by \$902,400 GPR in 2001-02 and \$1,055,900 GPR in 2002-03.

14. As a further alternative, the Committee could choose to provide reimbursement only for 65% of tuition for a UW-Madison resident undergraduate. Under this option, a 65% reimbursement equivalent to the amount of fees charged to a UW-Madison resident undergraduate would not be provided under the revised grant program. If the Committee chooses this option, it could delete an additional \$572,700 GPR in 2001-02 and \$651,900 GPR in 2002-03.

15. The Committee could also consider decoupling the National Guard tuition grant reimbursement program from being tied to a specified percentage of resident undergraduate tuition at the UW-Madison campus. Under this approach, a specific dollar cap on the total amount of aid could be established instead to control upward cost pressures on the program. This type of approach was applied to the academic excellence higher education scholarship program in 1996-97 to cap escalating program costs.

16. The Committee could establish a \$1,000 per semester cap (with a \$500 cap for summer school) for the National Guard tuition grant program. This dollar amount approximates the current average reimbursement rates being provided under the program. The Department would be directed to establish by rule, a methodology for determining the amount of the grant for students engaged in part-time study or who attend schools trimester or other types of academic calendars. In future years, the cap could be increased by the same percentage that the Legislature chooses to increase other financial aid programs in the budget.

17. Under a scenario that caps the current program at \$1,000 (\$500 for summer school) and assuming an effective date for the fall semester of 2001, the estimated costs of the program would be as detailed in Table 5, assuming no change in projected participation rates in the program.

TABLE 5

**Projected Tuition Grant Program Costs under a \$1,000 Grant Maximum
(2001-02 Fiscal Year)**

	<u>Number of Grant Payments</u>	<u>Maximum Grant Payment</u>	<u>Total Cost</u>
Spring 2001*	200	\$1,067	\$213,400
Summer 2001*	224	673	150,800
Fall 2001	1,788	1,000	1,788,000
Spring 2002	<u>1,561</u>	1,000	<u>1,561,000</u>
Total	3,773		\$3,713,200
Less Base Level Funding			<u>-3,589,400</u>
Net Funding Need			\$123,800

(2002-03 Fiscal Year)

	<u>Number of Grant Payments</u>	<u>Maximum Grant Payment</u>	<u>Total Cost</u>
Spring 2002	200	\$1,000	\$200,000
Summer 2002	227	500	113,500
Fall 2002	1,813	1,000	1,813,000
Spring 2003	<u>1,586</u>	1,000	<u>1,586,000</u>
Total	3,826		\$3,712,500
Less Base Level Funding			<u>-3,589,400</u>
Net Funding Need			\$123,100

* Reimbursements made under current law.

18. If the Committee chooses to fund the tuition grant program under this scenario, it could reduce the funding levels recommended by the Governor by \$564,100 GPR in 2001-02 and \$842,200 GPR in 2002-03.

19. Finally, it may be noted that no HEAB-administered student financial aid programs are being increased under the budget. The Committee could apply the same approach to the National Guard reimbursement grant program and provide no additional funding. Under this last alternative, the statutes would be amended to give the Adjutant General the authority to prorate tuition grant payments, if necessary.

ALTERNATIVES

1. Approve the Governor's recommendation to provide an additional \$687,900 GPR in 2001-02 and \$965,300 GPR in 2002-03 to fund increased program costs due to tuition adjustments and modest increases in the projected number of persons utilizing the National Guard tuition grant program and clarify that an eligible school for the purposes of the program would be an accredited institution of higher education, as defined under 20 *U. S. Code* 1002, which defines such institutions for federal student financial assistance purposes.

2. Modify the Governor's recommendation by deleting \$162,200 GPR in 2001-02 and \$173,000 GPR in 2002-03 to reflect revised estimates of the current program's costs and utilization levels during the next biennium.

Alternative 2	GPR
2001-03 FUNDING (Change to Bill)	- \$335,200

3. Modify the Governor's recommendation by setting the reimbursement rate under the National Guard tuition grant program at 65% of the cost of tuition and fees for a UW-Madison resident undergraduate, first effective for the fall semester of 2001, and deleting \$902,400 GPR in 2001-02 and \$1,055,900 GPR in 2002-03 to reflect these changes.

Alternative 3	GPR
2001-03 FUNDING (Change to Bill)	- \$1,958,300

4. Modify the Governor's recommendation by setting the reimbursement rate under the National Guard tuition grant program at 65% of the cost of tuition for a UW-Madison resident undergraduate, first effective for the fall semester of 2001, and deleting \$1,475,100 GPR in 2001-02 and \$1,707,800 GPR in 2002-03 to reflect these changes.

Alternative 4	GPR
2001-03 FUNDING (Change to Bill)	- \$3,182,900

5. Modify the Governor's recommendation by capping National Guard tuition grants at \$1,000 per semester (\$500 for summer school) for fulltime study first effective for the fall semester of 2001, directing the Department to promulgate rules establishing a methodology for determining the amount of the grant for students engaged in part-time study or who attend schools trimester or other types of academic calendars, and deleting \$564,100 GPR in 2001-02 and \$842,200 GPR in 2002-03 to reflect these changes.

Alternative 5	GPR
2001-03 FUNDING (Change to Bill)	- \$1,406,300

6. Delete the Governor's funding recommendation and authorize the Adjutant General to prorate grant payments, if required.

Alternative 6	GPR
2001-03 FUNDING (Change to Bill)	- \$1,653,200

Prepared by: Darin Renner