

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-3490/4	Introduction Number AB-0781
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 checked="" type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <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 checked="" type="checkbox"/> Indeterminate	
1. <input checked="" type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input checked="" type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input checked="" 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 checked="" type="checkbox"/> WTCS Districts	
Fund Sources Affected	
<input 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
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Date	
4/16/2010	

Fiscal Estimate Narratives

WTCS 4/16/2010

LRB Number	09-3490/4	Introduction Number	AB-0781	Estimate Type	Updated
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

This updated estimate is based on the Substitute Amendment to 2009 Assembly Bill 781, which was approved on March 25 by the Assembly Committee on Veterans and Military Affairs.

Under current law, WTCS colleges count all college credits taken at a Wisconsin institute of public higher education by veterans who are eligible for the Wisconsin GI Bill against the statutory maximum of 128 credits (or 8 semesters, whichever is longer) of eligibility for tuition and fee remission provided under the Wisconsin GI Bill. Credits taken by veterans using the Wisconsin GI Bill are counted against the 128-credit maximum regardless of whether a college receives state or federal reimbursement for some of the tuition and fee costs incurred by Wisconsin GI Bill eligible-veterans.

The Substitute Amendment to AB 781 removes the current law provision that deducts credits from the 128-credit benefit for both veterans and their eligible spouses or dependents if the technical college receives federal reimbursement for tuition and fees from the federal Post-9/11 GI Bill.

Veterans generally can use up to 48 months of eligibility for federal education benefits such as the Post-9/11 GI Bill if they have qualifying service under the federal definitions. Assuming 30-credits per year as a full-time student, Wisconsin GI Bill-eligible students could potentially use 120 credits under federal programs and still have 128 credits of eligibility or approximately an additional four years of full-time attendance under the changes proposed in the Substitute Amendment to AB 781.

Thus, the Substitute Amendment to AB 781 greatly increases the potential costs of the Wisconsin GI bill by effectively doubling the potential eligibility for free Wisconsin public higher education college credits to veterans and their spouses and eligible dependents who qualify for both the federal Post-9/11 GI Bill and the Wisconsin GI Bill. As has been the case since the Wisconsin GI Bill was originally created, because state or federal funding is not available cover the costs of this benefit, the additional costs created by the Substitute Amendment to AB 781 will be paid by WTCS non-veteran students' tuition and fees and by local property taxpayers.

In addition, because the Substitute Amendment to AB 781 does not eliminate either the requirement for veterans to switch to the federal Post-9/11 program or the requirement for colleges to calculate supplemental payments to veterans who switch, the Substitute Amendment to AB 781 continues the cost increases established in Act 28, the 2009-11 Wisconsin Biennial Budget, for these supplemental payments. The requirement to switch to the Post-9/11 GI Bill was adopted in Act 28 with the intent of using federal tuition payments available under the federal Post-9/11 GI Bill to offset some of the growing state costs of the veteran tuition remissions under the Wisconsin GI Bill while maintaining the State's commitment to provide a maximum of 128-credits of free postsecondary public education for eligible veterans and their qualifying spouses and dependents.

There are a number of external factors that could influence the enrollment decisions of veterans and their spouses and eligible dependents, which makes it more challenging to accurately estimate the costs of the Substitute Amendment to AB 781. Rapid changes in technology and workplace knowledge have made life-long learning mandatory for a successful career. Annual WTCS enrollment levels have been at record highs every year for the last decade and the number of WTCS students who already have a baccalaureate degree is nearly 40,000. Economic changes are encouraging more Wisconsinites to upgrade or acquire new skill sets in significant numbers. WTCS enrollment growth is expected to exceed 15% this year.

Moreover, it is especially difficult to estimate enrollment choices of veterans based on enrollment patterns of other student populations who must consider tuition costs and potential post-graduation debt when making enrollment decisions. In addition, the recent demobilization of 3,500 Wisconsin veterans with additional demobilizations anticipated in the coming years suggests continued increases in veterans seeking to use

their federal and state Wisconsin GI Bill benefits.

Therefore, the most accurate way to estimate the potential impact of the Substitute Amendment to AB 781 is to use a combination of historical enrollment patterns (to help estimate future enrollment patterns increases) while factoring in estimated future increases in tuition and fees. Enrollment under the Wisconsin GI Bill increased dramatically each year since the program's inception:

- 2005-06 headcount enrollment 961
- 2006-07 headcount enrollment 1,976 (105.6% increase from previous year)
- 2007-08 headcount enrollment 2,307 (16.8% increase)
- 2008-09 headcount enrollment 3,551 (53.9% increase).

Costs to WTCS colleges also increased dramatically since the program began:

- \$784,092 in 2005-06
- \$1,812,982 in 2006-07 (a 131.2% increase)
- \$4,939,228 in 2007-08 (a 172.2% increase)
- \$6,088,941 in 2008-09 (a 23.3% increase)

Some of the increase in costs from 2006-07 to 2007-08 reflects a change in statute that provided 100% remission for veterans as opposed to 50% in the previous two years of the program.

Four main factors drive the potential additional costs associated with the increased Wisconsin GI Bill eligibility included in the Substitute Amendment to AB 781:

- the increasing pool of potential veterans, children and spouses who are eligible for the Wisconsin GI Bill. Since its inception in 2005, the WTCS has experienced an average annual increase of almost 60% in the enrollment of Wisconsin GI Bill eligible veterans, spouses and children.
- the percentage of Wisconsin GI Bill participants who have eligibility for other federal veterans' education programs. Preliminary estimates suggest that approximately 75% of those currently using the Wisconsin GI Bill are eligible for other federal veterans' education programs. Therefore, an estimated 2,664 of the 3,551 students currently using the Wisconsin GI Bill in the WTCS are expected to be eligible for the additional credits created by Substitute Amendment to AB 781.
- The percentage of Wisconsin GI Bill participants with other federal veteran education program eligibility who seek to use both their four-years of potential federal veterans eligibility and their additional 128-credits of Wisconsin GI Bill eligibility. The number of WTCS students seeking to transfer credits into the WTCS was at a record high in 2008-09 with 52% bringing in previous college credits and 15% bringing in credits equivalent to a four-year degree. Assuming that 15% of the 2,664 current students with additional federal credit eligibility continue their education, a minimum of 400 students seem likely to use at least some of the additional 128 credits of Wisconsin GI Bill eligibility created by the Substitute Amendment to AB 781. If 25% continue their education, an additional 666 students seem likely to use at least some of the additional credits created by the Substitute Amendment to AB 781 and if 50% continue their education beyond their federal eligibility, 1,332 students seem likely to use at least some of their additional eligibility.
- changes in tuition costs. As tuition costs rise, so does the cost of additional credits of remission provided under the Substitute Amendment to AB 781. Tuition is estimated to increase 4% annually over the next 10 years.

These factors suggests possible annual costs of the additional credits of eligibility provided under the Substitute Amendment to AB 781 based on different assumptions about the number of students who might use their additional eligibility and the different number of possible credits. For example, assuming 15% of the estimated percentage of veterans use the additional eligibility created in the Substitute Amendment to AB 781, 400 veterans using 64 additional credits would represent an annual cost of \$2,908,545. If these 400 veterans used the full 128 credits of additional eligibility, the cost would be \$5,817,091. In addition,

- if 25% of estimated veterans use the additional eligibility created by the Substitute Amendment to AB 781, 666 veterans use 64 additional credits would cost \$4,842,728. If the 666 veterans use 128 credits, the cost would be \$9,685,456.
- If 50% of estimated veterans use the additional eligibility created by the Substitute Amendment to AB 781, 1,332 veterans using 64 additional credits would cost \$9,685,456 and using 128 credits would cost \$19,370,911.

If more students use their additional eligibility or students use more credits of their additional eligibility, the costs of the Substitute Amendment to AB 781 will increase. In addition, these costs do not reflect likely increases in the population of veterans who are eligible for federal education benefits.

The cost estimate also does not reflect the continued requirement to issue supplemental payments to veterans who switch to the federal Post-9/11 GI Bill. The amount of the supplemental payments is determined by comparing the benefits veterans would have received under federal veteran education programs before they switched to the Post-9/11 GI Bill with the federal benefits (other than tuition and fees) that they receive under the Post-9/11 GI Bill. Any veteran who would have received more under their previous federal veteran education program than under the Post-9/11 program qualifies for a supplemental payment to make up any difference. Veterans who attend half-time or less are more likely to qualify for a higher supplemental payment because of differences in federal benefits. Since many WTCS veteran students attend half-time or less, the supplemental payments that WTCS colleges must pay represents a significant cost. WTCS colleges are required to make supplemental payments beginning with the Spring 2010 semester. Because the requirement to issue supplemental payments went into effect in January 2010, there is not enough experience with the new requirement to estimate the future annual cost of these supplemental payments, but very early indicators suggest that supplemental payment costs for the WTCS could exceed \$2 million annually.

Long-Range Fiscal Implications

The costs associated with the additional credits of eligibility grow as the potential number of participants grow and the cost of tuition increases. Assuming 10% annual growth in participants and 4% annual growth in tuition costs suggest that the additional credits of eligibility included in the Substitute Amendment to AB 781 could cost between \$8.5 million and \$56.8 million annually within 10 years. The \$8.5 million estimate reflects increases in the 15% percent of estimated veterans (or 400 veterans) who use 64 credits of the additional eligibility created in the Substitute Amendment to AB 781 while the \$56.8 million reflects increases in 50% percent of estimated veterans (or 1,332 veterans) who use all 128 credits of additional eligibility.