



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 23, 2008

A bill to amend chapter 33 of title 38, United States Code, to clarify and improve authorities relating to the availability of post-9/11 veterans educational assistance, and for other purposes

*As ordered reported by the Senate Committee on Veterans' Affairs
on June 26, 2008*

SUMMARY

This bill would modify the Post-9/11 Veterans Educational Assistance (Post 9/11 GI Bill) by prohibiting private, for-profit colleges and universities from participating in the Yellow Ribbon GI Education Enhancement Program (Yellow Ribbon program), and by setting benefit levels for individuals attending college outside the United States. CBO estimates that enacting the bill would decrease direct spending for veterans' education benefits by \$181 million over the 2009-2013 period and \$479 million over the 2009-2018 period.

The bill contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA); any costs to state, local, or tribal governments would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of the bill is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2013	2018
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	-6	-35	-41	-48	-51	-54	-56	-59	-63	-66	-181	-479
Estimated Outlays	-6	-35	-41	-48	-51	-54	-56	-59	-63	-66	-181	-479

BASIS OF ESTIMATE

This bill would modify the Post-9/11 Veterans Education Assistance Act of 2008, recently enacted as Public Law 110-252. The Post-9/11 GI Bill will provide education benefits to veterans and servicemembers who have served 90 or more cumulative days on active duty since September 11, 2001. Beginning August 1, 2009, individuals who have served at least three years on active duty and attend school more than half time will be eligible for the full benefit for 36 months, including:

- The cost of tuition and fees up to the maximum in-state undergraduate tuition and fees for the state in which they live,
- A monthly housing allowance tied to the basic allowance for housing (BAH) for active-duty members in the E5 pay grade with dependents based on the zip code of the school they are attending, and
- A \$1,000 stipend for books and supplies.

The provisions of this bill would clarify and limit payment of benefits under several provisions of the Post-9/11 GI Bill. CBO estimates that, in total, this bill would decrease direct spending by \$479 million over the 2009-2018 period.

Yellow Ribbon Program. Under the Yellow Ribbon program, the Post-9/11 GI Bill will allow colleges and universities to cover a portion of tuition and fees that are in excess of the tuition cap in exchange for a matching contribution from the Department of Veterans Affairs (VA). This bill would prohibit private, for-profit colleges and universities from participating in the program.

Based on information from the National Association of Independent Colleges and Universities, CBO anticipates that 80 percent of trainees attending private colleges and universities—nearly 60,000—will participate in the program under current law. Using student data from the Department of Education, CBO estimates that under this proposal 20 percent of eligible trainees attending private colleges and universities will be attending for-profit institutions. Those trainees would not be eligible to participate in the program under this bill, and CBO anticipates participation in the Yellow Ribbon program would decrease by nearly 12,000 trainees.

On average, CBO estimates that the combined contributions from VA and participating schools for the Yellow Ribbon program will cover 75 percent of the excess costs of tuition and fees for participating trainees. Based on current tuition and fee levels and projected

increases in the cost of higher education, CBO estimates that VA's portion of Yellow Ribbon program costs will average \$4,000 per trainee per year. Therefore, CBO estimates that, over the 2009-2018 period, this provision would decrease direct spending by \$479 million.

Payment for Training Outside the United States. The Post-9/11 GI Bill allows for the possibility of using education benefits to attend colleges or universities outside the United States; however, benefit rates are tied to locations within the United States. Tuition is capped at the highest in-state tuition of the state in which the trainee is enrolled. Based on current law, it is unclear how out-of-country tuition payments would be paid under the in-state public tuition cap. This bill sets the payment level for out-of-country trainees at the average level of in-state, undergraduate tuition and fees paid by students at public institutions in the United States.

Under the Post-9/11 GI Bill, individuals will be eligible for BAH based on the zip code of the college or university they attend; however, it is unclear how individuals attending schools outside of the United States will be paid since foreign institutions do not have a zip code. This bill would set the monthly housing allowance for trainees attending college outside the United States at the average level of BAH for the E5 pay grade with dependents inside the United States.

CBO believes that VA could set payment policies for out-of-country benefits through regulation under current authority and that those rates would not be significantly different from the rates specified in this provision. CBO therefore estimates that enacting this provision would have no significant budgetary impact.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

The bill contains no intergovernmental or private-sector mandates as defined in UMRA. Any costs public institutions of higher education incur to comply with requirements to participate in education programs for veterans, including providing matching funds or submitting reports, would be incurred voluntarily.

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