



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

May 18, 2011

### **H.R. 1383** **Restoring GI Bill Fairness Act of 2011**

*As ordered reported by the House Committee on Veterans' Affairs  
on May 12, 2011*

#### **SUMMARY**

H.R. 1383 would modify the amount of education benefits payable to certain veterans and qualifying dependents for three years, beginning on August 1, 2011. If enacted, CBO estimates that, on net, the bill would decrease direct spending by \$5 million over the 2012-2016 and 2012-2021 periods.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending. Enacting the bill would not affect revenues.

H.R. 1383 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of H.R. 1383 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

#### **BASIS OF ESTIMATE**

H.R. 1383 would temporarily modify the amount of education benefits payable to certain veterans and qualifying dependents using the Post-9/11 GI Bill from August 1, 2011, through July 31, 2014. This estimate is based on information from the Department of Veterans Affairs (VA), the National Center for Education Statistics, and the College Board. CBO assumes the bill will be enacted near the beginning of fiscal year 2012.

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**ESTIMATED BUDGETARY EFFECTS OF H.R. 1383**

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	By Fiscal Year, in Millions of Dollars											
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2012-2016	2012-2021
<b>CHANGES IN DIRECT SPENDING</b>												
<b>Housing Stipend Adjustments</b>												
Estimated Budget Authority	-7	-49	0	0	0	0	0	0	0	0	-56	-56
Estimated Outlays	-7	-49	0	0	0	0	0	0	0	0	-56	-56
<b>Cap on Tuition and Fees</b>												
Estimated Budget Authority	32	13	6	0	0	0	0	0	0	0	51	51
Estimated Outlays	32	13	6	0	0	0	0	0	0	0	51	51
<b>Total Changes in Direct Spending</b>												
Estimated Budget Authority	25	-36	6	0	0	0	0	0	0	0	-5	-5
Estimated Outlays	25	-36	6	0	0	0	0	0	0	0	-5	-5

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**Housing Stipend Adjustments**

Beginning August 1, 2011, Public Law 111-377 will delay the effective date of the annual increases in housing stipends provided to beneficiaries of the Post-9/11 GI Bill from January 1 to August 1 to coincide with the start of each academic year. Those stipend rates will then remain effective throughout that entire academic year. Thus, for the 2011-2012 academic year, the stipend rates that went into effect on January 1, 2011, will remain unchanged through July 31, 2012. Section 3 of H.R. 1383 would continue those same stipend rates through September 30, 2013, eliminating the increase that will otherwise go into effect on August 1, 2012, and postponing the August 1, 2013, increase by two months. The stipend rates would then return to the levels that would have been payable if no freeze was enacted. Based on information from VA, CBO estimates that holding stipend rates flat for an additional 14 months would reduce direct spending by \$56 million over the 2012-2013 period.

**Cap on Tuition and Fees**

Beginning August 1, 2011, P.L. 111-377 will limit the amount of education assistance payable under the Post-9/11 GI Bill for programs at private institutions to the actual cost of tuition and fees (net of scholarships and other financial assistance) or \$17,500, adjusted annually for inflation, whichever is less. Prior to the enactment of P.L. 111-377, the amount of assistance payable was the actual cost of tuition and fees up to the highest in-state tuition and fees charged by a public educational institution in the state where the school is located.

Students attending private institutions where tuition and fees exceed the \$17,500 cap may be eligible for assistance under the Yellow Ribbon G.I. Education Enhancement Program. Institutions entering into Yellow Ribbon Program (YRP) agreements with VA agree to cover a portion of the student's tuition shortfall. VA then matches the institution's contribution to further reduce or eliminate the student's out-of-pocket expenses. Even with the availability of YRP assistance, CBO expects that certain students attending private institutions with high tuition and fees will experience significant out-of-pocket expenses relative to what they would have experienced prior to enactment of P.L. 111-377.

To protect current beneficiaries under the Post-9/11 GI Bill from a mid-stream reduction in education benefits, section 2 would increase the \$17,500 cap to \$27,000 through July 31, 2014. To qualify for the higher cap, those beneficiaries would have to be enrolled in a private institution on or before April 1, 2011:

- Where tuition and fees for full-time attendance exceeded \$17,500 during the 2010-2011 academic year, and
- That is in a state where a public institution charged in-state students more than \$700 per credit hour, as determined by the VA, during the 2010-2011 academic year.

Based on information from VA, CBO estimates that about 4,500 veterans and dependents attending private four-year and graduate institutions in Arizona, Michigan, New Hampshire, New York, Pennsylvania, South Carolina, and Texas would satisfy all three conditions.

Drawing on information from the National Center for Education Statistics and the College Board, CBO calculates that the average amount of tuition and fees for the 2010-2011 academic year for bachelor's and master's degrees at private institutions is about \$27,300 and \$24,400, respectively. After adjusting for average benefit levels, average attendance rates, and the higher YRP threshold, CBO estimates that each qualifying beneficiary would receive, on average, about \$5,300 more in education benefits per academic year than they are eligible for under current law. Assuming that a percentage of the eligible population would either graduate or otherwise depart from their respective programs each year, CBO estimates that this provision would increase direct spending by \$51 million over the 2012-2021 period.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Statutory Pay-As-You-Go Act of 2010 establishes budget reporting and enforcement procedures for legislation affecting direct spending or revenues. CBO estimates that by

temporarily modifying the amount of education benefits payable to certain veterans and qualifying dependents under the Post-9/11 GI Bill, H.R. 1383 would decrease direct spending for veterans' education benefits. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

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**CBO Estimate of Pay-As-You-Go Effects for H.R. 1383 as ordered reported by the House Committee on Veterans' Affairs on May 12, 2011**

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	By Fiscal Year, in Millions of Dollars											2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2016	2021
<b>NET INCREASE OR DECREASE (-) IN THE DEFICIT</b>													
Statutory Pay-As-You-Go Impact	0	25	-36	6	0	0	0	0	0	0	0	-5	-5

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**INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

H.R. 1383 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

**ESTIMATE PREPARED BY:**

Federal Costs: William Ma  
 Impact on State, Local, and Tribal Governments: Lisa Ramirez-Branum  
 Impact on the Private Sector: Elizabeth Bass

**ESTIMATE APPROVED BY:**

Theresa Gullo  
 Deputy Assistant Director for Budget Analysis