CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

July 19, 2018

H.R. 5649
Navy SEAL Chief Petty Officer William 'Bill' Mulder (Ret.) Transition Improvement Act of 2018

As ordered reported by the House Committee on Veterans' Affairs on July 12, 2018

SUMMARY

Enacting H.R. 5649 would affect several programs of the Department of Veterans Affairs (VA) that provide education benefits. On net, CBO estimates that enacting the bill would decrease direct spending for those benefits by $125 million over the 2019-2028 period.

In addition, H.R. 5649 would authorize grants for programs that help separating military personnel prepare for civilian life. It also would require two studies of similar programs that are administered by the federal government. In total, CBO estimates that implementing the bill would cost $16 million over the 2019-2023 period, assuming appropriation of the necessary amounts.

Pay-as-you-go procedures apply because enacting H.R. 5649 would affect direct spending. The bill would not affect revenues.

CBO estimates that enacting H.R. 5649 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 5649 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 effect of H.R. 5649 is shown in Table 1. The costs of the legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED BUDGETARY EFFECTS OF H.R. 5649, THE NAVY SEAL CHIEF PETTY OFFICER WILLIAM 'BILL' MULDER (RET.) TRANSITION IMPROVEMENT ACT OF 2018

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
INCREASES OR DECREASES (-) IN DIRECT SPENDING													
Estimated Budget Authority	0	-1	*	-4	-9	-12	-18	-20	-20	-21	-22	-25	-125
Estimated Outlays	0	-1	*	-4	-9	-12	-18	-20	-20	-21	-22	-25	-125
INCREASES IN SPENDING SUBJECT TO APPROPRIATION													
Estimated Authorization Level	0	5	3	3	3	3	0	0	0	0	0	17	17
Estimated Outlays	0	4	3	3	3	3	1	0	0	0	0	16	17

Details may not add to totals because of rounding; * = between -$500,000 and $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the estimated amounts will be appropriated each year, that outlays will follow historical spending patterns for affected programs, and that the bill will be enacted at the start of fiscal year 2019.

Enacting H.R. 5649 would affect several VA programs that provide education benefits. On net, CBO estimates that enacting the bill would decrease direct spending for those benefits by $125 million over the 2019-2028 period (see Table 2).

Direct Spending for Flight Training

Under the Post-9/11 GI Bill, VA pays for up to 36 months (or four academic years) of educational expenses for eligible veterans and military personnel at institutions of higher learning. The department pays an amount equal to the actual tuition and fees charged to in-state residents for those attending public institutions, and up to a maximum annual amount for those at private institutions ($22,805 for the 2017-2018 academic year). Beneficiaries also are entitled to receive a book stipend of up to $1,000 per year, and if they are attending school more than half time, a monthly housing allowance. When the tuition and fees exceed the benefit, and if the school agrees to defray part of the excess costs, beneficiaries can receive matching assistance for the remaining costs from VA under the Yellow Ribbon GI Education Enhancement Program (YRP). VA makes payments for tuition and fees directly to the educational institutions.

TABLE 2. ESTIMATE OF THE EFFECTS ON DIRECT SPENDING OF H.R. 5649, THE NAVY SEAL CHIEF PETTY OFFICER WILLIAM 'BILL' MULDER (RET.) TRANSITION IMPROVEMENT ACT OF 2018

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
INCREASES OR DECREASES (-) IN DIRECT SPENDING													
Flight Training													
Estimated Budget Authority	0	-2	-1	-5	-10	-13	-19	-21	-21	-22	-23	-31	-137
Estimated Outlays	0	-2	-1	-5	-10	-13	-19	-21	-21	-22	-23	-31	-137
Education Assistance During School Closures													
Estimated Budget Authority	0	1	1	1	1	1	1	1	1	1	1	5	10
Estimated Outlays	0	1	1	1	1	1	1	1	1	1	1	5	10
Vocational Rehabilitation													
Estimated Budget Authority	0	*	*	*	*	*	*	*	*	*	*	1	2
Estimated Outlays	0	*	*	*	*	*	*	*	*	*	*	1	2
Total Changes in Direct Spending													
Estimated Budget Authority	0	-1	*	-4	-9	-12	-18	-20	-20	-21	-22	-25	-125
Estimated Outlays	0	-1	*	-4	-9	-12	-18	-20	-20	-21	-22	-25	-125

Details may not sum to totals because of rounding; * = between -$500,000 and $500,000.

Section 201 of the bill would impose a cap equal to that for tuition and fees at private institutions on such payments for programs at public institutions that involve flight training. It also would allow beneficiaries in such programs to accelerate usage of their entitlement by receiving two months' worth of tuition and fees each month for up to 18 months. On net, enacting section 201 would decrease direct spending by $137 million over the 2019-2028 period, CBO estimates.

Maximum Payment for Tuition and Fees. Capping payments for flight training would reduce outlays for tuition and fees by $246 million over the 2019-2028 period. That effect would be partially offset by increased payments under the YRP of $55 million. In total, net direct spending would decline by $191 million over the 2019-2028 period as a result of the new cap, CBO estimates.

Flight-training programs require significant expenditures for aircraft purchases, equipment maintenance, aviation fuel, and insurance. In 2016, the last year for which data is currently available, VA paid an average of $28,000 in tuition and fees for beneficiaries enrolled in flight-training programs at public institutions. However, payments for some people were significantly higher; tuition and fees exceeded $100,000 for 10 percent of recipients. In that year, the maximum benefit for tuition and fees at private institutions was $21,805.

Enacting section 201 would only reduce payments for students at public institutions whose tuition exceeds the new cap. In 2016, about 900 students had tuition and fees that exceeded the $21,085 limit applicable to private institutions for that year; the average cost for those students was about $44,000, a difference of $22,900. That gap would increase annually because flight-training costs and the new cap would both increase with inflation. The difference between the cap and the average cost for students whose tuition and fees exceeded the cap would average $31,000 over the next 10 years.

Students who are enrolled in flight-training programs before enactment of H.R. 5649 would not see their education benefits reduced until a term that begins two years after the date of enactment. Accounting for all those changes, CBO estimates that payments to schools would decline by about $246 million over the 2019-2028 period as a result of the new cap.

However, the savings realized by capping tuition payments would be partially offset because some students would be eligible for additional assistance under the Yellow Ribbon Program. The YRP provides additional payments for some students who face tuition and fees above what VA will typically cover. Institutions participating in the YRP agree to cover a portion of the difference between the tuition charged and the amount that VA would otherwise pay. VA then matches that financial assistance, thereby reducing or eliminating students' out-of-pocket expenses.

Using data from VA on payments under the YRP, CBO expects that about 50 percent of the institutions affected by the new cap on flight-training costs would make qualifying contributions under the YRP. Those contributions would cover about 45 percent of the difference between the listed amount for tuition and fees and the cap on VA's payments for those costs. Thus, reductions in benefit payments for flight training would be about 20 percent less than what they would be in the absence of the Yellow Ribbon Program. The increase in VA's matching payments under the YRP would total about $55 million over the 2019-2028 period, CBO estimates.

Accelerated Payments. Section 201 also would allow students using the Post-9/11 GI Bill for flight training to receive up to twice the new cap on the monthly benefit of tuition and fees (equal to $45,600 for the 2017-2018 academic year) for half as many months. Payments would be the lesser of that maximum amount or actual tuition and fees. Beneficiaries who elect to receive payments at that accelerated rate would be charged two months of their 36-month entitlement for each month they receive that larger amount. Thus, a beneficiary who chooses to accelerate payments for every month would exhaust their benefit in 18 months. The monthly housing allowances and book stipends must be taken at the same time as the payments for tuition and fees and would not accelerate under the bill; thus, individuals who choose to receive the accelerated payments for tuition and fees would lose up to 18 months of housing and book allowances. CBO expects that some beneficiaries who elect to accelerate payments for tuition and fees would receive more in total benefits, while others would receive less. Additionally, some beneficiaries who accelerate payments would receive more benefits over the next 10 years than they would under current law regardless of whether the total amount of benefit they receive increases or decreases under this provision. On net, providing the option to accelerate payments for tuition and fees would increase costs relative to the proposed cap on tuition and fees and would thus reduce the direct spending savings of the tuition cap by $54 million over the 2019-2028 period.

Students at Two-Year Institutions. Approximately 50 percent of beneficiaries in flight-training programs attend two-year programs at institutions such as community colleges. Students who complete those programs earn an associate's degree and the certifications necessary to become a commercial pilot. Because they would have the necessary credentials to become pilots after 18 academic months, CBO estimates that under current law students in those programs would not use all of their remaining 18 months of Post-9/11 GI Bill benefits. CBO expects that, on average, those individuals would use the equivalent of 9 additional months of benefits after completing the flight-training program, or 27 months in total.

Under section 201, students at institutions whose tuition costs would exceed the new cap would have a strong incentive to choose the higher payments because they typically would complete the program within two academic years (18 months). Students at two-year programs who elect to accelerate their benefits could receive the equivalent of 36 months of tuition and fees and 18 months of allowances. Under current law, those students would have received an average of 27 months of all payments.

CBO expects half the students at two-year institutions would opt to accelerate payments; about 225 students a year would receive an average of $16,000 more if they choose to accelerate payments. Additionally, the savings from the shifted tuition payments and forgone housing and book stipends of students who first elect to receive accelerated payments in 2027 and 2028 would occur after 2028 and are thus not part of this estimate. In total, accelerated payments for students in two-year programs would cost $39 million over the 2019-2028 period, relative to the savings from the tuition cap.

Students at Four-Year Institutions. The students at four-year institutions have less incentive to accelerate receipt of their benefits. CBO expects that most of those students would use all 36 months of benefits available to them under current law. Thus, beneficiaries who elect to accelerate payments would not see a significant change in the total amount paid for tuition and fees, but they would lose up to 18 months of housing allowances and book stipends. However, accelerating payments would reduce students' out-of-pocket costs initially. CBO expects that about 25 percent of students in four-year programs (about 100 students a year) whose costs would exceed the new cap on payments would choose to accelerate their tuition benefits; those students would receive accelerated payments for a period, but would forgo an average of $25,000 in total benefits.

Over the budget window, higher spending in earlier years would be almost entirely offset by lower spending in later years. After five years, the annual savings from shifted and forgone payments would exceed the annual costs accelerated payments. Like students at two-year institutions, the savings from the shifted and forgone benefits of students who first elect to receive the higher payments in 2027 and 2028 would occur after 2028 and are thus not part of this estimate. On net, those changes would reduce direct spending by $1 million over the 2019-2028 period, relative to the savings from the tuition cap.

Students in Nondegree Programs. Under Section 201, students in flight training programs that do not lead to a degree also would be able to accelerate payment of tuition and fees. Current law caps payment for those programs at $13,527 for 2018. Very few beneficiaries in those programs receive the monthly housing allowance, so there is little disincentive to accelerating payments. However, only about 15 percent of students in those programs have tuition and fee costs at or near the current law cap, so few are likely to need to accelerate payments. CBO expects that about 90 such students a year would choose to accelerate payments and that those students would have used another nine months of their remaining benefits under current law. On net, those students would receive roughly $17,000 more in benefits. As a result, direct spending would increase by $16 million over the 2019-2028 period relative to the savings from the tuition cap, CBO estimates.

Other Direct Spending

Two other provisions would affect direct spending. CBO estimates that in total those provisions would increase direct spending by $12 million over the 2019-2023 period.

Education Assistance during School Closures. Section 203 would authorize VA to provide additional education assistance to certain people who receive such benefits through the Post-9/11 GI Bill or through several VA education programs.

In the event that educational institutions temporarily close as a result of a natural disaster such as a hurricane, VA continues to pay allowances to beneficiaries enrolled in those institutions for up to four weeks. Under section 203, VA would continue to pay those allowances for up to four months if the institution expects to be closed for more than four weeks and the beneficiary chooses to continue the program of education (or a substitute program) solely through distance learning. The beneficiary's entitlement to education assistance (a total of 36 months) would not be charged for the additional payments for housing allowances or for the cost of the online program.

VA does not have information about the number of beneficiaries who continued to receive allowances during closures under current law, but the department has identified several thousand individuals who attended institutions that were located in areas that had been affected by significant natural disasters over the last two years. CBO expects that relatively few institutions would remain closed for more than four weeks and that beneficiaries residing in those areas would be unlikely to enroll in substitute programs during the temporary closure. However, CBO expects that each year roughly 300 beneficiaries would receive two additional months of allowances at an average cost of $1,500 per month. The cost of those allowances would increase direct spending by $10 million over the 2019-2028 period.

Vocational Rehabilitation. During the 12-year period after they separate from the military, veterans with service-connected disabilities that limit or prevent them from being employed can receive vocational rehabilitation services such as education, job training, and physical therapy from VA. The costs of those services are paid from mandatory appropriations. Section 202 would remove the 12-year limit on those benefits.

Under current law, the Department of Veterans Affairs has broad authority to provide such benefits after the 12-year period, particularly for veterans who have a serious employment handicap, or who have been prevented from obtaining such services during the 12-year period for any of a number of reasons. Thus, CBO expects that most veterans who need vocational rehabilitation after 12 years from their separation dates would receive those benefits under current law. However, under this provision, a small number of veterans would receive more benefits than they would have under current law. The costs for those veterans who receive additional benefits as a result of enacting section 202 would be insignificant in each year and would total $2 million over the 2019-2028 period, CBO estimates.

Spending Subject to Appropriation

H.R. 5649 would authorize grants for programs that help separating military personnel prepare for civilian life. It also would require two studies of the Transition Assistance Program. The bill would make several modifications to the program that CBO expects would have insignificant costs. In total, CBO estimates that implementing the bill would cost $16 million over the 2019-2023 period, assuming appropriation of the necessary amounts (see Table 3).

Grants. Section 103 would require VA to provide $10 million in grants over a 5-year period to organizations that help former military service members and their spouses prepare for civilian employment. Such assistance includes resume preparation, interview training, and related employment services. Based on historical spending patterns, CBO estimates that providing those grants would cost $9 million over the 2019-2023 period.

Longitudinal Study. Section 106 would require VA to conduct a 5-year longitudinal study on transition assistance for newly separated members of the armed forces. The study would compare the outcomes of transition assistance between three cohorts of veterans: those who received the training before the enactment of H.R. 5649, those who receive the training after enactment, and those who do not receive the training.

The bill also would require periodical reports to the Congress documenting the progress and results of the study. Using information from VA on the resources needed to conduct longitudinal studies, CBO estimates that implementing this section would cost $5 million over the 2019-2023 period, assuming appropriation of the necessary amounts.

TABLE 3. ESTIMATE OF THE EFFECTS ON SPENDING SUBJECT TO APPROPRIATION OF H.R. 5649, THE NAVY SEAL CHIEF PETTY OFFICER WILLIAM 'BILL' MULDER (RET.) TRANSITION IMPROVEMENT ACT OF 2018

	By Fiscal Year, in Millions of Dollars						
	2018	2019	2020	2021	2022	2023	2019-2023
Grants							
Authorization Level	0	2	2	2	2	2	10
Estimated Outlays	0	1	2	2	2	2	9
Longitudinal Study							
Authorization Level	0	1	1	1	1	1	5
Estimated Outlays	0	1	1	1	1	1	5
Independent Assessment							
Estimated Authorization Level	0	2	0	0	0	0	2
Estimated Outlays	0	2	*	0	0	0	2
Total Changes in Spending Subject to Appropriation							
Estimated Authorization Level	0	5	3	3	3	3	17
Estimated Outlays	0	4	3	3	3	3	16

Details may not sum to totals because of rounding; * = between zero and $500,000.

Independent Assessment. Section 105 would require VA to enter into an agreement with a nongovernment entity with experience in adult education to assess the effectiveness of several aspects of the Transition Assistance Program. Using information from VA about studies of similar size and scope, CBO estimates that implementing this section would cost $2 million over the 2019-2023 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. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for H.R. 5649 as ordered reported by the House Committee on Veterans' Affairs on July 12, 2018

	By Fiscal Year, in Millions of Dollars												
	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2018-2023	2018-2028
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	-1	0	-4	-9	-12	-18	-20	-20	-21	-22	-25	-125

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 5649 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 5649 contains no intergovernmental or private-sector mandates as defined in UMRA.

ESTIMATE PREPARED BY

Federal Costs: Ann E. Futrell and David Newman
Mandates: Andrew Laughlin

ESTIMATE REVIEWED BY

Sarah Jennings
Chief, Defense, International Affairs, and Veterans' Affairs Unit

Leo Lex
Deputy Assistant Director for Budget Analysis