



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

January 4, 2013

S. 2241 **GI Bill Consumer Awareness Act of 2012**

*As ordered reported by the Senate Committee on Veterans' Affairs
on September 12, 2012*

SUMMARY

S. 2241 would provide additional education benefits to the spouses of servicemembers who died while serving on active duty. The bill also would ensure that veterans, servicemembers, and their dependents receive specific information about educational institutions and other education-related information when using their education benefits and make changes to how the Department of Veterans Affairs (VA) and the Department of Defense (DoD) administer their education benefit programs.

If enacted, CBO estimates that this legislation would increase direct spending by \$79 million over the 2013-2017 period and by \$200 million over the 2013-2022 period. Because the bill would affect direct spending, pay-as-you-go procedures apply. Enacting S. 2241 would not affect revenues.

In addition, CBO estimates that implementing S. 2241 would have a discretionary cost of \$186 million over the 2013-2017 period, assuming appropriation of the estimated amounts.

S. 2241 contains an intergovernmental and private-sector mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would limit the ability of public and private entities to use the term "GI Bill." However, CBO estimates that any costs incurred by those entities to use the term would not exceed the thresholds established in UMRA for intergovernmental or private-sector mandates (\$73 million and \$146 million, adjusted annually for inflation, respectively).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2241 is shown in the following table. The costs of this legislation fall within budget functions 700 (veterans benefits and services) and 050 (national defense).

ESTIMATED BUDGETARY EFFECTS OF S. 2241, THE GI BILL CONSUMER AWARENESS ACT OF 2012

	By Fiscal Year, in Millions of Dollars					2013-2017
	2013	2014	2015	2016	2017	
CHANGES IN DIRECT SPENDING^a						
Estimated Budget Authority	0	17	18	20	24	79
Estimated Outlays	0	17	18	20	24	79
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Protections for Veterans						
Estimated Authorization Level	43	4	4	4	4	60
Estimated Outlays	31	12	6	6	4	60
Approval of Programs of Education						
Estimated Authorization Level	5	12	13	13	14	57
Estimated Outlays	4	12	13	13	14	57
Information for Veterans						
Estimated Authorization Level	5	11	11	11	11	49
Estimated Outlays	5	11	11	11	11	49
Fry Scholarship for Spouses						
Estimated Authorization Level	9	*	*	*	*	10
Estimated Outlays	7	2	1	1	*	10
Educational and Vocational Counseling Outreach						
Estimated Authorization Level	2	1	1	1	1	6
Estimated Outlays	2	1	1	1	1	6
Assessments and Reports						
Estimated Authorization Level	1	1	1	1	1	4
Estimated Outlays	1	1	1	1	1	4
Total Changes						
Estimated Authorization Level	65	29	30	30	31	186
Estimated Outlays	55	39	33	33	31	186

Notes: Columns may not sum to totals because of rounding.

* = less than \$500,000.

a. In addition to the direct spending effects shown here, enacting S. 2241 would have additional effects on direct spending beyond 2017 (see the Statutory Pay-As-You-Go table). CBO estimates that direct spending would increase by \$200 million over the 2013-2022 period.

BASIS OF ESTIMATE

For the purposes of this estimate, CBO assumes that the legislation will be enacted near the beginning of calendar year 2013, that the necessary amounts will be appropriated each year, and that outlays will follow historical spending patterns for similar and existing programs.

Direct Spending

Under current law, when servicemembers die in the line of duty while serving in an active-duty status, certain children (under 26 years of age) of those servicemembers become entitled to education benefits under both the Marine Gunnery Sergeant John David Fry Scholarship (Fry Scholarship) and the Survivors' and Dependents' Education Assistance Program (DEAP). However, surviving spouses become entitled to education benefits under the DEAP only. If enacted, section 17 of S. 2241 would expand the eligibility criteria of the Fry Scholarship to include spouses. The Fry Scholarship entitles qualifying recipients to education benefits under the Post-9/11 GI Bill. Those benefits include the payment of in-state tuition and fees for beneficiaries attending public schools, a monthly housing allowance, and a stipend to pay for books and supplies. DEAP currently provides education benefits to qualifying recipients at a maximum rate—for full-time students—of \$987 per month.

Based on information from VA and DoD, CBO estimates that, if enacted, approximately 1,800 spouses per year would elect to receive education benefits under the Fry Scholarship rather than the DEAP. Each of those spouses would receive, on average, about \$15,200 in Fry Scholarship benefits in 2014 and, after cost of living increases, about \$21,000 in 2022, CBO estimates. Under the DEAP, we estimate that each of those spouses would have received about \$4,900 in benefits in 2014 and, after cost of living increases, about \$5,800 in benefits in 2022. On net, CBO estimates this change in eligibility would increase direct spending by \$200 million over the 2013-2022 period. In addition, implementing this section would increase discretionary costs. Those costs are discussed in the “Spending Subject to Appropriation” section of the estimate.

Spending Subject to Appropriation

S. 2241 contains multiple provisions that would increase the availability of information related to educational institutions and student outcomes for veterans, servicemembers, and dependents using, or planning to use, veterans' education benefits. The bill also would modify how VA and DoD administer their education benefit programs. If implemented, CBO estimates that the bill would have a discretionary cost of \$186 million over the 2013-2017 period, assuming appropriation of the estimated amounts.

Protections for Veterans. Several provisions of S. 2241 would require VA and DoD to establish and implement policies intended to protect veterans and servicemembers who are using, or are planning to use, education benefits. Collectively, CBO estimates that those efforts would cost \$60 million over the 2013-2017 period.

Compliance Reviews. VA conducts compliance reviews on about one-third of all approved educational institutions each year. Those reviews are used to ensure that educational institutions abide by the laws and policies that govern the use of veterans' education benefits. Section 7 would require VA to conduct additional compliance reviews when an approved institution experiences a variety of conditions, such as rapid increases in enrollment or dropout rates, student loan default rates, or complaints.

Based on information from VA, CBO estimates that implementing this provision would affect the timing of when surveys are conducted but would not affect the total number of surveys conducted in any given year. VA would, however, need to modify its existing information technology (IT) systems to monitor and collect the necessary data to identify when compliance surveys must occur. Modifying those IT systems would cost \$44 million over the 2013-2017 period, CBO estimates.

Working Group. Section 5 would require VA and DoD to establish a working group to develop policies that would curb the aggressive recruitment of veterans and servicemembers who are targeted specifically for their education benefits. The section also would require VA and DoD to seek feedback from veterans and servicemembers on the education benefits they have received and on the programs of education in which they were enrolled. Based on information from VA, CBO estimates that it would cost \$10 million over the 2013-2017 period to hire 10 full-time personnel to establish and support the efforts of the working group.

Complaint Tracking System. As directed by Executive Order 13607, VA is currently establishing a centralized system that will allow veterans, servicemembers, and dependents to file complaints against educational institutions for alleged acts of fraud and abuse. Section 10 would codify those efforts and impose additional requirements on how VA collects, tracks, and shares those complaints with other agencies. The section also would require VA to develop and implement an outreach program to inform veterans, servicemembers, and dependents of this complaint tracking system. Based on information from VA, CBO estimates that it would cost \$6 million over the 2013-2017 period to develop and carry out an outreach program and to implement the additional measures that exceed VA's current efforts.

Audits. Section 6 would require state approving agencies (SAAs) to conduct periodic and unannounced audits of educational institutions to detect misrepresentations, fraud, waste, and abuse. SAAs are staffed with state employees who are paid with federal funds to assist VA in ensuring that educational institutions comply with all federal requirements. Under

current law, SAAs already conduct site visits to institutions that would be affected by this provision. Thus, CBO estimates that any costs associated with implementing this provision would be insignificant over the 2012-2016 period.

Prohibiting the Unauthorized Use of the Terms GI Bill and Post-9/11 GI Bill. Section 16 would prohibit, without written permission of VA, the use of the terms “GI Bill” and “Post-9/11 GI Bill” in any activity that would imply that such activity is endorsed by VA. The section also would place the responsibility of enforcing this provision with DOJ. Based on information from DOJ (and because VA has already registered the term “GI Bill” with the U.S. Patent and Trademark Office), CBO estimates that any costs associated with enforcing this provision would be insignificant over the 2013-2017 period.

Approval of Programs of Education. Section 4 would impose additional requirements on education programs for which veterans, servicemembers, or dependents may use their education benefits. For example, programs that lead to an associate’s degree or higher could only be approved if they were offered by educational institutions that have entered into, and are complying with, program participation agreements with the Department of Education. The section also would establish additional requirements for the approval of programs that do not lead to a degree.

Based on information from VA and DoD, CBO estimates that about 140 additional full-time employees and modifications to existing IT systems would be required to ensure that only programs that comply with the additional approval requirements would be approved. CBO estimates that hiring those employees and modifying existing IT systems would cost \$57 million over the 2013-2017 period.

Information for Veterans. Sections 2, 3, and 11 would increase the availability of information related to educational institutions and student outcomes for veterans, servicemembers, and dependents using, or planning to use, the education benefits to which they are entitled.

In order to become an approved educational institution, section 3 would require those institutions to provide VA with specific information about the programs of education that they offer and the outcomes of students who have completed or participated in those programs. Under this section, educational institutions at which more than 20 students are using VA or DoD education benefits also would be required to provide academic and student support services to those students and employ at least one person knowledgeable about VA and DoD benefits.

Sections 2 and 11 would require VA to make available to veterans, servicemembers, and dependents information it receives under section 3, an explanation of the types of accreditation available to educational institutions, an overview of federal financial aid

programs, and information about the policies that schools use to help veterans and servicemembers succeed in an educational environment.

Based on information from VA, CBO estimates that VA would have to hire about 110 additional full-time employees and develop IT systems to assemble the information as outlined in sections 2, 3, and 11 and then make that information available to those who are using, or planning to use, their education benefits. CBO estimates that hiring those employees and developing and maintaining the IT systems would cost \$49 million over the 2013-2017 period.

Fry Scholarship for Spouses. Section 17 would expand eligibility for the Fry Scholarship to include the spouses of servicemembers who died on active duty. Based on information from VA, CBO estimates that VA would need to make modifications to its claims processing systems to help manage that change. Modifying those systems would cost \$10 million over the 2013-2017 period, CBO estimates. Benefits payments to scholarship recipients are paid from a mandatory account and are discussed in the “Direct Spending” section of the estimate.

Educational and Vocational Counseling Outreach. Section 9 would require VA to develop and implement an outreach program to inform veterans about the counseling services to which they are entitled. VA also would be required to submit to the Congress a report on the counseling services provided to veterans in fiscal years 2010-2012 and the results of the satisfaction surveys taken by those veterans. Based on information from VA, CBO estimates that it would cost about \$6 million over the 2013-2017 period to conduct the outreach and assemble the satisfaction survey data.

Assessments and Reports. Sections 8, 13, and 14 would impose additional oversight measures on the management of the education programs that VA and DoD administer. In total, CBO estimates that those measures would cost about \$4 million over the 2013-2017 period.

Assessing the performance of DoD education and workforce training programs.

Section 14 would require DoD to establish metrics for tracking completion rates of its education and workforce training programs, conduct annual assessments (using the established metrics) of those programs, and provide those assessments to select committees of the Congress. Based on information from DoD, CBO estimates that DoD would have to conduct a study to identify appropriate metrics and hire five additional full-time employees to perform the annual assessments. Conducting the study and hiring those employees would cost \$3 million over the 2013-2017 period.

Assessing the delivery of career counseling. Section 8 would require DoD and VA to assess the quality and delivery of career information and counseling provided to veterans and servicemembers who are using, or planning to use, any of the education benefit programs

administered by VA. Based on information from VA, CBO estimates that implementing this provision would cost less than \$500,000 over the 2013-2017 period. That amount includes the one-time costs to conduct the required assessment and to submit a report on that assessment to select committees of the Congress.

Report on the number of recipients of education assistance. VA is currently in the process of developing a number of reports on the education benefits provided to veterans, servicemembers, and eligible dependents. Those reports would include the total number of veterans and servicemembers enrolled in, and the total amount of educational assistance paid to, each educational institution at which veterans or servicemembers used their education benefits. Because section 13 would codify those efforts, CBO estimates that implementing that section would have no effect on the federal budget.

Veterans’ Advisory Committee on Education. Under current law, VA’s authority to operate a Veterans’ Advisory Committee on Education expires December 31, 2013. Section 15 would extend that authority through December 31, 2014, modify the composition of the Committee, and require it to issue reports on the education benefit programs administered by VA. Based on information from VA, implementing those provisions would cost less than \$500,000 over the 2013-2017 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 S. 2241 as ordered reported by the Senate Committee on Veterans’ Affairs on September 12, 2012

	By Fiscal Year, in Millions of Dollars										2013- 2017	2013- 2022
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022		
NET INCREASE OR DECREASE (-) IN THE DEFICIT												
Statutory Pay-As-You-Go Impact	0	17	18	20	24	24	24	24	24	25	79	200

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2441 contains an intergovernmental and private-sector mandate as defined in UMRA because it would limit the ability of public and private entities to use the term “GI Bill.” The Veterans Administration was granted a trademark for the term “GI Bill” on October 16, 2012. It is unclear how VA intends to use this trademark—which, if any, entities will receive permission to use the term and under what conditions—but S. 2441 makes clear that written permission would be necessary for any entity to use the term. Still, most of any potential costs, primarily in the form of lost revenues from advertising restrictions, would probably occur under current law. Therefore, CBO estimates that it is unlikely that any additional costs incurred by public or private entities from complying with the mandate in S. 2441 would exceed the threshold established in UMRA for intergovernmental or private-sector mandates (\$73 million and \$146 million, respectively, adjusted annually for inflation).

As a condition of federal assistance, the bill would require states and public institutions of higher education to comply with new standards for providing education and training assistance to veterans, servicemembers, and their beneficiaries. Those conditions would include new standards for auditing institutions, reporting information to VA, training employees, and recruiting students. In addition, institutions would be prohibited from requiring students to waive their right to legal recourse or submit to arbitration, or from imposing onerous legal notice provision in cases that involve a dispute with the institution. Any costs incurred by those governments would result from complying with grant conditions.

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