

Legislative Analysis



NATIONAL GUARD TUITION ASSISTANCE PROGRAM

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House Bill 5451

Sponsor: Rep. Bruce R. Rendon

Committee: Military and Veterans Affairs

Complete to 4-27-14

A SUMMARY OF HOUSE BILL 5451 AS INTRODUCED 4-17-14

House Bill 5451 would establish a new act known as the Michigan National Guard Tuition Assistance Act to provide tuition assistance (TA) of up to \$4,500 per academic year to members of the Michigan National Guard. The program would be administered under the direction of the Adjutant General (TAG) of the Michigan National Guard.

Eligible Guard Members

The TA program would be available to members of the Michigan National Guard who (1) are in active service in the National Guard (including the traditional service of one weekend/month and two weeks/year); (2) are not absent without leave or under charges under the Michigan Code of Military Justice; and (3) meet any other criteria establish by the TAG consistent with the guard's recruiting and retention requirements.

Tuition Assistance

The TA program would provide up to \$4,500 per academic year for eligible tuition costs. These costs would include the cost of a course of study, including instructional fees, laboratory fees, computer fees, and other fees directly related to a specific course of study. The TA program would not cover the cost of books and other study materials. The payment of TA would be contingent on the availability of sufficient funding.

Students would apply for TA before enrolling in an eligible educational institution. If a student didn't apply for assistance before enrolling, s/he could apply for reimbursement through the program for the amount of tuition paid, up to \$4,500 in any academic year.

Any tuition assistance provided for incomplete coursework would have to be repaid by the student in a manner prescribed by the TAG.

Eligible Educational Institutions

The TA program would provide assistance to students attending any public or private college, university, vocational school, technical school, or trade school located in Michigan.

Eligible Course of Study

The TA program would provide assistance to students in any course of study that is intended to culminate in vocational or technical training, a certificate, or the student's first associate's degree, bachelor's degree, or master's degree.

Coordination with Other Programs

The TA program would provide assistance to guard members irrespective any other educational incentive or benefit receives under any other program.

Michigan National Guard Tuition Assistance Fund

The bill would establish the Michigan National Guard Tuition Assistance Fund from which the TAG would provide tuition assistance. The fund could receive revenue from any source (including amounts appropriated by the Legislature), and would be credited with any investment earning. Any funds remaining in the fund at the close of the fiscal year would remain in the fund and not lapse to the General Fund.

FISCAL IMPACT:

The creation of a TA program for members of the Michigan National Guard was included as part of the FY 2014-2015 Executive Budget Recommendation for the Department of Military and Veterans Affairs. The Executive proposal recommends \$5.0 million GF/GP for the program, with approximately \$200,000 GF/GP of those funds to be expended for administrative costs.

[As of April 24, 2014, both the House and Senate Appropriations Committees have approved budget bills for the Department of Military and Veterans Affairs. The House version (HB 5313, Article XIV) provides \$2 million GF/GP for the program, while the Senate version (SB 773) provides \$5.0 million GF/GP for the program.]

Ultimately, the cost of the program each year depends on the utilization rate among guard members and the level of course work pursued. The Executive proposal would support about 1,000 guard members (equivalent to about a 9% utilization rate), assuming each member receives the \$4,500 maximum award. If guard members pursue their course work at a range of institutions (e.g., community college and four-year schools) or on a less than full-time basis, the costs of the program would be a bit lower. A lower utilization rate among guard members would also lower the program's cost.

The state's prior TA program – which was provided between FY 2000 and FY 2009 – had an overall utilization rate of about 7.2%. That rate would be equal to about 800 guard members and cost about \$3.6 million, assuming each member was eligible for the \$4,500 maximum award. A low-end estimated cost for the program would be about \$2.0 million, assuming guard members pursue course work at a traditional mix of universities and community colleges and with various time commitments (full-time and part-time), and also depending on the availability of federal benefits. The first year costs of the program would also depend on how quickly the program can be established or how soon TA benefits may be provided. Given that the 2014-2015 academic year begins before the state's 2014-2015 fiscal year, the department could provide TA benefits on a reimbursement basis for the fall 2014 semester, and then provide upfront assistance beginning with the winter/spring 2015 semester.

The bill also allows two avenues through which TA benefits may be provided. Assistance may be provided upfront, before classes begin (minimizing the student's upfront costs), or it may be provided on a reimbursement basis. Providing assistance on

an upfront basis may present the Department of Military and Veterans Affairs (and perhaps the Department of Treasury) with some additional administrative issues if the state has to collect any TA benefits it provided for courses the student ultimately did not complete.

BACKGROUND INFORMATION:

FY 2014-15 Budget Proposal

In a background issue paper accompanying the Executive Budget Recommendation, the State Budget Office notes that to be eligible for the program, guard members have to be qualified in a military occupational skill, remain in an active drilling status with a service contract, be members of good standing, meet yearly physical fitness and weight control standards, and maintain a 2.0 GPA (on a 4.0 scale). The SBO further notes that the TA program is designed to:

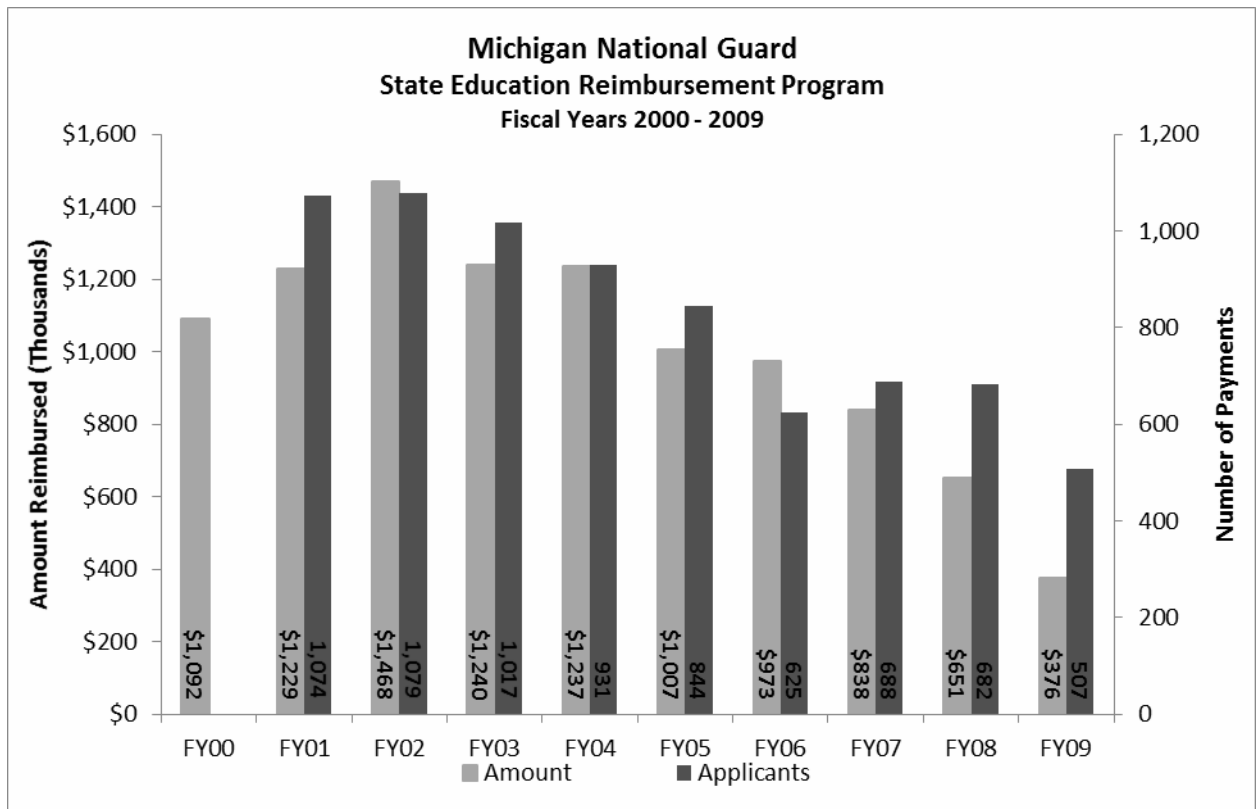
- Increase military readiness by increasing recruitment and retention of Michigan Army and Air National Guard service members.
- Improve Michigan National Guard market share, when comparing Michigan enlistments in the National Guard, active armed forces, or reserve components.
- Enhance the Michigan National Guard's ability to better compete with neighboring states for federal dollars.
- Increase the pool of eligible candidates within the Michigan National Guard to become commissioned officers.¹

Michigan National Guard State Education Reimbursement Program (SERP)

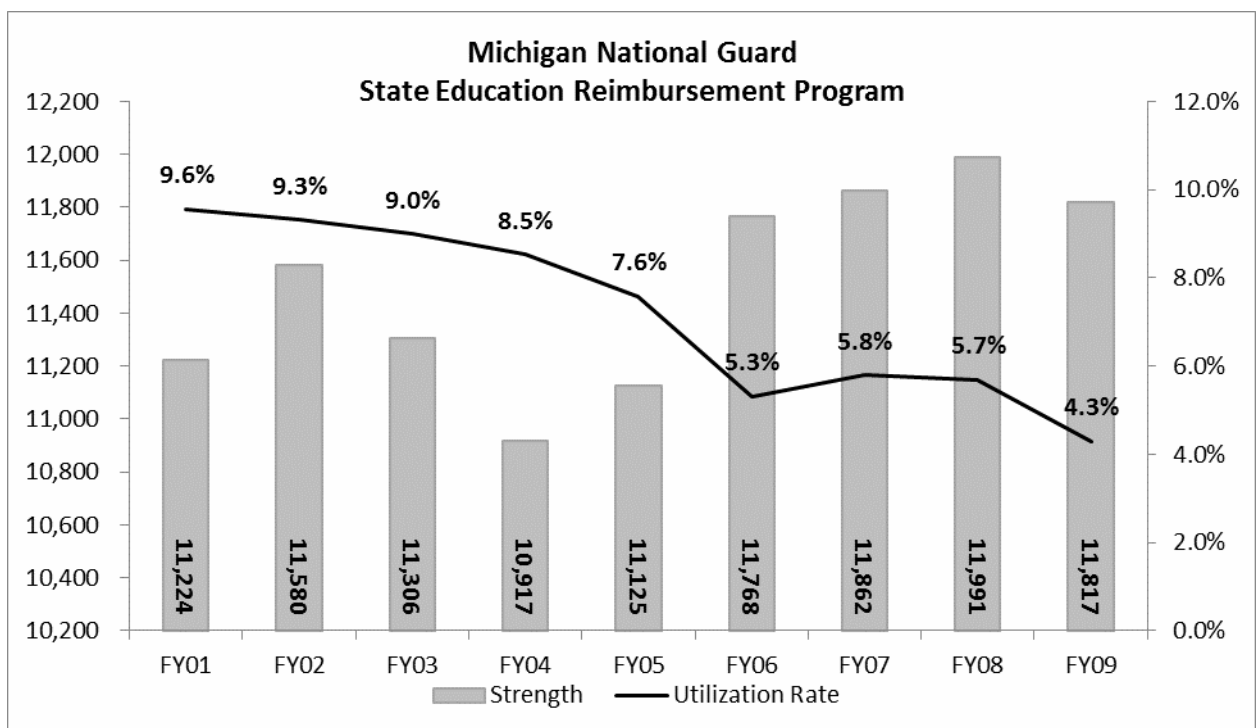
From FY 1999-2000 through FY 2008-2009, the state provided a tuition reimbursement for one-half (50%) of the cost of tuition, generally capped at \$2,000 per academic year, to members of the Michigan National Guard. Members had to remain in active drilling status (one weekend/month, two weeks/year). Assistance was provided to guard members attending school part-time or full-time at a public or private college or university. Members could pursue course work in programs leading to a certificate, associate's degree, baccalaureate degree, or graduate degree, and had to maintain at least a 2.0 GPA (on a 4.0 scale).

Beginning with fall 2008, the yearly maximum award was reduced to \$1,500. The program existed only through the annual appropriations acts for the Department of Military and Veterans Affairs, although legislation (HB 4762 and SB 142) was introduced during the 1999-2000 session to establish the program in statute. The program was made available with the support of the state's General Fund, with the program's authorization generally capped at \$2.0 million. (Later years reduced the authorization cap as expenditures often didn't come close to the amount authorized.) The state program was eliminated beginning with FY 2009-10, partly as a budget savings measure and partly because of the new availability of federal education benefits to National Guard members through the recently enacted Post-9/11 Veterans Educational Assistance Act.

¹ https://www.michigan.gov/documents/budget/F_446650_7.pdf?20140424125158.



Source: Expenditures – Michigan Administrative Information Network (MAIN); Applicants (academic year) – Department of Military and Veterans Affairs, 2009 Annual Report. **Note:** Data on the number of applicants in the 1999-2000 academic year isn't immediately available.



Source: Year-end strength level data is from the Michigan Army and Air National Guard. **Note:** The utilization rate is the percentage of SERP applicants divided by the year-end strength level.

Federal Benefits

The military service branches offer a number of incentives as a part of recruiting and retaining the quantity and quality of enlisted personnel necessary to maintain an all-volunteer force that is fully staffed, capable, and ready for any military action. The availability of educational benefits – pre-service, in-service, and post-service – has been an important and effective recruiting and retention tool for many years, especially among the "high-quality" youth on whom the service branches focus much of their recruiting efforts.

Tuition Assistance (TA)

Generally speaking, state TA benefits would be used in combination with federal education programs that benefits specifically for education. The military service branches each operation a tuition assistance (TA) program through which they pay a portion of the tuition and fees (but not books, supplies, or other costs) for educational programs under the authority of 10 USC 2005 and 10 USC 2007. These programs include, among other things, off-duty programs through accredited post-secondary institutions, allowing service members to pursue undergraduate and graduate degrees, certification, or licensure that is part of their educational goals. The availability of TA benefits varies among the individual service branches, with assistance generally available to traditional service members in the Army National Guard, but not available to traditional service members in the Air National Guard.

The Army TA program generally limits benefits to \$250 per semester hour in tuition and direct course-related fees (laboratory fees, computer/technology fees, etc.). However, the Army's TA policies changed effective January 1, 2014, to cap TA benefits at 16 semester hours per year and to only allow service members to use TA after completing one year of service after graduating from advanced individual training (AIT), officer candidate school (OCS), or basic officer leader course (BOLC). This new one year delay in the availability of federal TA benefits would basically be offset by the availability of state TA benefits under HB 5451. Once guard members are eligible for federal TA benefits, federal TA benefits be utilized first, before state benefits are provided.

Montgomery GI Bill – Selected Reserve

There are numerous other federal education benefit program that make assistance available to National Guard members. Under Title 10 USC Chapter 1606, the Montgomery GI Bill – Selected Reserve (MGIB-SR) program provides assistance to members of the Selected Reserve (including the National Guard) who enlist, re-enlist, or extend an enlistment for six years after June 30, 1985. Service members must also successfully complete the initial active duty for training and serve in good standing as a member of the reserve/national guard unit. The MGIB-SR program provides a monthly allowance based on a student's course of study and enrollment status, although the allowance is not specifically limited to tuition and educational costs. It can be used to for housing and other costs that support a student's attendance at school. The state TA program would pay benefits irrespective of the availability of these benefits.

Reserve Educational Assistance Program

Under Title 10 USC Chapter 1606, the Reserve Educational Assistance Program (REAP) provides a monthly allowance to members of the reserve component (including the

National Guard) called into active duty after September 10, 2001, who, generally, serve on active duty for at least 90 days. REAP benefits are not specifically limited to tuition and educational costs and, as such, the state TA program would pay benefits irrespective of the availability of REAP benefits. Further, as the military continues to reduce the number of active duty call-ups, REAP benefits are less likely to be available to National Guard members.

Post-9/11 GI Bill

The Post-9/11 GI Bill provides tuition and housing benefits to members of the armed forces (including the reserve component) called into active duty since September 10, 2001. The program provides the full amount of benefits to those soldiers who have served at least 36 months on active duty, and provides a reduced benefit amount for those with shorter active duty stints. Soldiers must service at least 90 days on active duty. (Those eligible for multiple programs must choose the program under which assistance will be provided.) Tuition and fees are generally capped at actual charges, less available student aid, and subject to proration based on active duty time. The Post-9/11 GI bill also covers books and supplies. Again, as the military continues to reduce the number of active duty call-ups, Post-9/11 benefits are less likely to be available to National Guard members.

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.