Congressional Budget Office
Cost Estimate

November 8, 2019

At a Glance

H.R. 4162, GI Bill Planning Act of 2019

As ordered reported by the House Committee on Veterans' Affairs on October 16, 2019

By Fiscal Year, Millions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	-6	34	*
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	-6	34	*
Spending Subject to Appropriation (Outlays)	0	0	0

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
		Contains intergovernmental mandate?	No
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	< $5 billion	Contains private-sector mandate?	No

* = between -$500,000 and $500,000.

The bill would

- Provide service members more time to decide whether to contribute the necessary amounts from their pay in order to be eligible in the future for benefits under the Montgomery GI Bill for Active Duty (MGIB-AD)
- Require public colleges and universities to charge no more than in-state tuition for nearly all students using veterans' education benefits
- Eliminate eligibility for the MGIB-AD for service members who join the military after September 30, 2029

Estimated budgetary effects would primarily stem from

- Fewer service members making MGIB-AD contributions and the resulting net decline in their use of education benefits
- Additional students qualifying for in-state tuition rates at public colleges and universities

Areas of significant uncertainty include

- Projecting the number of service members who would not make MGIB-AD contributions and estimating the subsequent net decline in their use of education benefits

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 4162 would make changes to the Montgomery GI Bill for Active Duty. The bill also would require public institutions of higher learning to charge in-state tuition to nearly all GI Bill students. GI Bill benefits are paid from mandatory appropriations.

Estimated Federal Cost

The estimated budgetary effect of H.R. 4162 is shown in Table 1. The bill would have an insignificant effect on net direct spending over the 2020-2029 period; it would not affect revenues or spending subject to appropriation. The effects of the legislation fall within budget function 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 4162

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Net Increases or Decreases (-) in Direct Spending											
Changes to MGIB-AD	0	22	27	26	25	10	9	8	3	1	100	131
In-State Tuition	-6	-16	-15	-15	-14	-14	-13	-13	-13	-12	-66	-131
Total Changes	-6	6	12	11	11	-4	-4	-5	-10	-11	34	*

Budget authority is equal to outlays for all provisions; MGIB-AD = Montgomery GI Bill for Active Duty; * = between -$500,000 and $500,000.

Basis of Estimate

For this estimate, CBO assumes that H.R. 4162 will be enacted late in calendar year 2019 and that provisions would take effect on the dates specified by the bill.

Changes to Montgomery GI Bill for Active Duty

The MGIB-AD provides up to 36 months of education benefits to eligible service members and veterans. Those benefits ($2,050 per month in 2020) are paid directly to beneficiaries by the Department of Veterans Affairs (VA). To be eligible for the MGIB-AD, service members must contribute $1,200 through payroll deductions during the first 12 months they receive pay. Service members must decide whether to consent to those deductions within the first two weeks of basic training. Section 2 of the bill would delay that decision until the 90-day period following their first six months of service.

Delaying the payroll deductions would afford service members more time to learn about the benefits available under the MGIB-AD and the Post-9/11 GI Bill. The Post-9/11 GI Bill provides enhanced education benefits to eligible people who have served since September 11, 2001, including in-state tuition and fees at public institutions of higher learning or up to a maximum amount ($24,477 in 2020) at private institutions, a monthly housing allowance during enrollment, and a stipend for books and supplies. While the eligibility criteria for the MGIB-AD and Post-9/11 GI Bill are similar, the latter generally provides greater benefits than the former, and service members do not have to contribute to be eligible.[1]

CBO expects that as a result of the delay, 25 percent fewer service members would make MGIB-AD contributions. That change in participation would have five effects that would increase net direct spending by $131 million over the 2020-2029 period, CBO estimates.

- Over the 2020-2029 period, CBO estimates that about 171,000 service members (or about 25 percent of members CBO expects to make contributions under current law) would not contribute the required $1,200 for them to be eligible for the MGIB-AD. (Contributions for the MGIB-AD are classified as mandatory offsetting receipts and recorded in the budget as reductions in direct spending.) Thus, CBO estimates that the loss of those receipts would increase direct spending by $205 million over that period.

- Most of the service members who would no longer contribute under the bill would never have used benefits under the MGIB-AD. Of those members who would not make contributions for the MGIB-AD and who otherwise would have used those benefits, about 2,700 would instead use education benefits under the Post-9/11 GI Bill. CBO estimates that the average incremental cost would be about $11,000 for each person who uses those benefits and would thus increase direct spending by $30 million over the 2020-2029 period.

- CBO estimates that about 900 people who would not contribute under the bill but who would have otherwise used the MGIB-AD would instead not use any education benefits. CBO estimates that the savings from those people would be about $36,000 for each member and would thus decrease direct spending by $33 million over the 2020-2029 period.

- Some of those service members who would not make contributions for the MGIB-AD would no longer be eligible to receive additional cash benefits for education that are available to people who are eligible for the MGIB-AD. CBO estimates that, consistent with the decline in the number of service members making contributions for the MGIB-AD, such additional cash benefits would decline by 25 percent and would thus decrease direct spending by $65 million over the 2020-2029 period.

- Under current law, VA refunds contributions made for the MGIB-AD to service members who use all of their benefits under the Post-9/11 GI Bill. CBO estimates that about 5,300

1. According to data compiled by the Consumer Financial Protection Bureau, 70 percent of new service members consented to the paycheck deductions for the MGIB-AD in 2017, whereas only 4 percent of beneficiaries initially using veteran education benefits opted to use that program.

service members who would exhaust Post-9/11 GI Bill benefits and who would not make contributions would no longer receive refunds, which are typically $1,200, and would thus decrease direct spending by $6 million over the 2020-2029 period.

Under section 3 of the bill, people who join the Armed Forces after September 30, 2029, would not be eligible for the MGIB-AD. That change would not affect the budget over the 2020-2029 period.

In-State Tuition

Under the Post-9/11 GI Bill, VA pays up to the amount of actual tuition and fees charged to state residents enrolled at public institutions of higher learning. Under current law, those schools are required to charge in-state tuition to most beneficiaries, including dependents with transferred benefits, if the veteran was discharged within three years of the date of enrollment. If students do not qualify for in-state tuition, the school may agree to defray part of the costs that exceed in-state tuition, and VA will match the amount defrayed by the school under the Yellow Ribbon GI Education Enhancement Program (YRP).

Section 4 of the bill would require public institutions of higher learning to set tuition and fees for nearly all students who use veterans' education benefits and live in the state to equal the rates charged to state residents, regardless of whether those students are state residents.[2] Given that nearly all students would qualify for in-state tuition under section 4, CBO expects that VA would make YRP payments for very few beneficiaries. Using data from VA, CBO estimates that VA would no longer make an average of $2,800 in YRP payments for each of 4,800 beneficiaries annually. That change would reduce direct spending by an average of $13 million each year and by $131 million over the 2020-2029 period.

Uncertainty

Areas of significant uncertainty arise from projecting the number of service members who would not make MGIB-AD contributions and from estimating the change in their subsequent use of Post-9/11 GI Bill benefits. Consequently, the increase in net direct spending from delaying payroll deductions could be significantly different than CBO estimates.

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 Table 2.

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2. Students qualify for in-state tuition if their entitlement is based on at least 90 days of active service in the military. Under the Post-9/11 GI Bill, veterans are entitled to education benefits prior to 90 days of active-duty service if they are discharged after at least 30 days for a service-connected disability or are awarded the Purple Heart. Those students would not necessarily qualify for in-state tuition.

Table 2.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 4162, the GI Bill Planning Act of 2019, as Ordered Reported by the House Committee on Veterans' Affairs on October 16, 2019

	By Fiscal Year, Millions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Net Increase or Decrease (-) in the Deficit											
Pay-As-You-Go Effect	-6	6	12	11	11	-4	-4	-5	-10	-11	34	0

Increase in Long-Term Deficits:

CBO estimates that enacting H.R. 4162 would not increase on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2030.

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