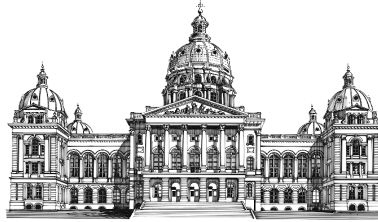

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State Capitol
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Education Benefits for Children of Deceased Veterans

ISSUE

This *Issue Review* estimates the future State cost of education expenses for children of veterans who have died in service-related combat or from service-related injuries since September 11, 2001.

AFFECTED AGENCIES

Department of Veteran Affairs
Board of Regents Institutions
Community Colleges

CODE AUTHORITY

Section 35.9, Code of Iowa

BACKGROUND

Iowa provides two education assistance programs for children of veterans who have died in the line of duty. The War Orphans Program is a \$600 annual maximum benefit for children of veterans that died in active military service prior to September 11, 2001. The Program funds tuition and related expenses at educational or vocational institutions with a total lifetime maximum benefit of \$3,000. This Program was created in 1939 and has been funded within the Department of Veterans Affairs general operating budget up to \$3,000 per year in recent years. For FY 2007, the Department budgeted \$1,200 but had no expenditures. For FY 2008, the Department did not budget any funds for this Program.

The focus of this *Issue Review* is the educational assistance for children of veterans that died on or after September 11, 2001. These children can receive up to \$5,500 per year and a maximum lifetime benefit of \$27,500. Benefit eligibility requirements include:

- The child is required to reside in Iowa at least two years prior to application for assistance. There is no residency requirement for the deceased veteran.

- The benefit is available when the child attends one of the 15 Iowa community colleges or one of the three Board of Regents universities. No benefits are provided for attendance at a private institution of higher education.
- A child of any age is eligible for undergraduate or graduate classes. The statute provides for the cost of tuition, room and board, laboratory, and books.
- The Office of the Attorney General has advised the Legislative Services Agency (LSA) that stepchildren are not eligible for this educational assistance, but adopted children are eligible. (The LSA estimates five stepchildren currently under the age of 18 would receive benefits if eligible.)

Other Midwest States' Benefits

Table 1 summarizes the education benefits of deceased veterans' children from states that surround Iowa. Minnesota, Nebraska, and South Dakota cap the maximum age for receiving benefits; however, in Nebraska, if the dependent has served in the armed forces between the ages of 18 and 26, the period is extended five years past discharge but no later than the 31st birthday. This mirrors the federal education assistance program. Kansas and Nebraska include stepchildren in the definition of a dependent and Kansas includes adopted children. Minnesota, Nebraska, and South Dakota limit the benefit to an undergraduate degree. Minnesota and South Dakota directly tie the cost of tuition to a comparable program at public four-year institutions of higher education in their respective states.

Table 1

State	Program Requirements and Benefits
Illinois	Scholarship equivalent to four calendar years of full-time enrollment including summer terms at a State-supported Illinois institution of higher learning.
Kansas	Enrollment without charge of tuition or fees for any dependent (birth child, adopted child, or stepchild) of any Kansas resident that died on or after September 11, 2001, while, and as a result of, serving in military services, and any prisoner of war.
Minnesota	Dependent that has not yet reached 24 years of age is eligible for a tuition and textbook reimbursement grant. Tuition is limited to up to 100.0% of the cost of tuition for a comparable program at the University of Minnesota. Tuition is limited to 208 quarter credits or 144 semester credits of coursework (equivalent to four years).
Nebraska	The University of Nebraska, State colleges, and the community colleges are required to waive all tuition for a deceased veteran's dependents (child or stepchild). Benefits are provided if the child is under 26 years of age (unless the child served in the armed forces between the ages of 18 and 26, then, the period is extended five years past discharge, but no later than the 31st birthday). The waiver is good for one certificate, degree, or diploma from a community college and one Baccalaureate degree.
South Dakota	Any person under the age of 25, a resident of South Dakota, that is the child of a deceased veteran is entitled to free tuition at any State Board of Regents Institution or free attendance at any postsecondary technical institute.

CURRENT SITUATION

For this *Issue Review*, it was assumed that children of veterans that have died on or after September 11, 2001, are veterans that resided in Iowa at the time of death. The statute does not require residency of the veteran and assumes all children of these individuals will continue to reside in Iowa until high school graduation and will obtain the maximum benefit provided. It is not possible to estimate the number of children nationally that might take advantage of the benefit when not originally from Iowa.

It was also assumed that eligible children will utilize the educational benefit for the first five years immediately upon completion of high school. As of October 10, 2007, this includes the children of 46 deceased veterans. Because of the young age of recent veterans, 16 children are eligible ranging in age from one year to an age already eligible for postsecondary education. For adult children beyond the age of 24, it was assumed that one adult child would take advantage of the educational assistance each year (or multiple adult children enrolled part-time).

BUDGET IMPACT

Due to privacy considerations, the LSA utilized media publications such as obituaries and articles on fundraising benefits in local newspapers to ascertain estimated ages for the following cost estimate. This analysis assumes the funds will be exempt from reversion until the end of the Program.

Attachment A indicates that an annual appropriation of \$27,000 beginning in FY 2007 and no change in the statutory annual maximum benefit will be adequate to serve the current eligible children until FY 2018. A shortfall in revenue is anticipated in FY 2018 – FY 2022 totaling \$19,000. A balance begins again in FY 2023 and continues until FY 2028 (last year of education for currently eligible children under previously noted assumptions) with a remaining balance of \$58,000.

The balance may increase if a child does not utilize the maximum benefit for each year, or does not utilize the maximum five years of benefits, or if the child chooses not to attend college at all. Additional funding may be necessary if additional veterans with eligible children die in active federal military service after October 10, 2007.

INFLATIONARY FACTOR

In the majority of other educational benefit programs the State provides, the maximum benefit is tied to the tuition cost at a Board of Regents institution rather than a specific dollar amount.

Attachment B illustrates the cost of the educational assistance benefit if the cap of \$5,500 were replaced with an inflation factor adjustment. The estimate assumes the benefit is tied to the cost of tuition at a Board of Regents institution and that cost would increase at a rate of 5.0% annually, and would require additional funding beginning in FY 2015. Fiscal Year 2018 would have the greatest additional funding need at an estimated \$41,000. From FY 2015 to FY 2028, the total additional funding, beyond the annual \$27,000 appropriation, would be \$284,000. This assumes that all 16 eligible children complete five years of education immediately upon completion of high school and one adult child receives the same annual maximum benefit.

The amount of additional funding may decrease if a child does not utilize the maximum benefit for each year or does not utilize the maximum five years of benefits. The amount of additional funding needed may increase if additional veterans with eligible children die in active military service after October 10, 2007.

OTHER FINANCIAL AID

The federal Survivors' and Dependents' Educational Assistance Program provides up to \$881 per month (\$7,929 per school year) for tuition and fees for a nine-month school year for the children of veterans that have died in combat or were permanently and totally disabled as a result of a service-connected disability. The basic monthly rates increase October 1 each year matching the Consumer Price Index (CPI) increase. If the dependent wishes to receive benefits for attending school, they must be between the ages of 18 and 26 and the parent is required to forego the

continuation of the monthly death benefit on behalf of the child. If the person pursues military service, an extension can be granted up to the 31st birthday. Military educational benefits based on future career decisions of the child may also provide funding for these educational purposes.

ALTERNATIVES

The General Assembly may wish to consider the following alternatives:

- Provide an inflationary factor by eliminating the \$5,500 annual maximum amount and directly tie the amount of the benefit to the cost of tuition at an Iowa Board of Regents institution, similar to Minnesota, Nebraska, and South Dakota.
- Require residency for the deceased veteran rather than residency of the child, similar to Kansas. This would not change the fiscal estimates since this assumption was used for the calculation.
- Provide an age limit for children receiving the educational assistance benefit, similar to Minnesota, Nebraska, South Dakota, and the federal Education Assistance Program. This may also be accomplished by limiting the benefit to undergraduate education. This would decrease the fiscal estimate by the amount of one estimated annual tuition per year.
- Require the federal educational benefits be exhausted prior to award of the Iowa educational assistance benefit. Fiscal estimates may decrease with this alternative since they are based on the number of eligible children and maximum annual benefit.
- Include eligibility for children who attend private institutions of higher education. Fiscal estimates would not be impacted by this alternative since they are based on the number of children and the maximum annual benefit.
- Amend Iowa's definition of child to include stepchildren. This would increase the total fiscal estimate between FY 2008 and FY 2028 for the estimated five stepchildren for the specific years of estimated higher education attendance. When using the statutory maximum, the estimated cost would be \$137,500. When using the inflated adjustment, the estimated cost would be \$228,600 if all five children utilized the maximum benefit for all five years.
- Establish a Veteran Child Education Fund with an annual standing appropriation that is non-reversionary; however, that can be notwithstanding if the balance exceeds the need in some years.
- Require the benefits to be paid directly to the institution the child attends. This mirrors the requirement of other financial aid benefits administered by the College Student Aid Commission.

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Education Benefits for Children of Deceased Veterans
<http://www.legis.state.ia.us/lsadoc/IssReview/2007/IRJDA001.pdf>
LSA/FSD/IRJDA001.Doc/10/11/07/3:13 pm

**Estimated Revenues and Expenditures for the Deceased
Veteran Children's Education - Current Law
2008 - 2028**

Attachment A

Fiscal Year	2008	2009	2010	2011	2012
Revenues					
Carryforward	\$ 27,000	\$ 43,000	\$ 53,500	\$ 58,500	\$ 58,000
Appropriation	27,000	27,000	27,000	27,000	27,000
Total	\$ 54,000	\$ 70,000	\$ 80,500	\$ 85,500	\$ 85,000
Expenditures					
School-Age Children	\$ 5,500	\$ 11,000	\$ 16,500	\$ 22,000	\$ 27,500
Adult Children	5,500	5,500	5,500	5,500	5,500
Total	\$ 11,000	\$ 16,500	\$ 22,000	\$ 27,500	\$ 33,000
Balance	\$ 43,000	\$ 53,500	\$ 58,500	\$ 58,000	\$ 52,000

Fiscal Year	2013	2014	2015	2016	2017
Revenues					
Carryforward	\$ 52,000	\$ 51,500	\$ 40,000	\$ 34,000	\$ 22,500
Appropriation	27,000	27,000	27,000	27,000	27,000
Total	\$ 79,000	\$ 78,500	\$ 67,000	\$ 61,000	\$ 49,500
Expenditures					
School-Age Children	\$ 22,000	\$ 33,000	\$ 27,500	\$ 33,000	\$ 33,000
Adult Children	5,500	5,500	5,500	5,500	5,500
Total	\$ 27,500	\$ 38,500	\$ 33,000	\$ 38,500	\$ 38,500
Balance	\$ 51,500	\$ 40,000	\$ 34,000	\$ 22,500	\$ 11,000

Fiscal Year	2018	2019	2020	2021	2022
Revenues					
Carryforward	\$ 11,000				
Appropriation	27,000	27,000	27,000	27,000	27,000
Total	\$ 38,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000
Expenditures					
School-Age Children	\$ 38,500	\$ 22,000	\$ 33,000	\$ 22,000	\$ 22,000
Adult Children	5,500	5,500	5,500	5,500	5,500
Total	\$ 44,000	\$ 27,500	\$ 38,500	\$ 27,500	\$ 27,500
Balance/Shortfall	\$ -6,000	\$ -500	\$ -11,500	\$ -500	\$ -500

Fiscal Year	2023	2024	2025	2026	2027	2028
Revenues						
Carryforward		\$ 5,000	\$ 4,500	\$ 15,000	\$ 25,500	\$ 41,500
Appropriation	27,000	27,000	27,000	27,000	27,000	27,000
Total	\$ 27,000	\$ 32,000	\$ 31,500	\$ 42,000	\$ 52,500	\$ 68,500
Expenditures						
School-Age Children	\$ 16,500	\$ 22,000	\$ 11,000	\$ 11,000	\$ 5,500	\$ 5,500
Adult Children	5,500	5,500	5,500	5,500	5,500	5,500
Total	\$ 22,000	\$ 27,500	\$ 16,500	\$ 16,500	\$ 11,000	\$ 11,000
Balance	\$ 5,000	\$ 4,500	\$ 15,000	\$ 25,500	\$ 41,500	\$ 57,500

**Estimated Revenues and Expenditures for Deceased
Veterans Children's Education - with Inflated Tuition Projections
2008 - 2028**

Attachment B

Fiscal Year	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues					
Carryforward	\$ 27,000	\$ 43,248	\$ 53,314	\$ 56,605	\$ 52,488
Appropriation	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>
Total	\$ 54,000	\$ 70,248	\$ 80,314	\$ 83,605	\$ 79,488
Expenditures					
School-Age Children	\$ 5,376	\$ 11,290	\$ 17,781	\$ 24,894	\$ 32,673
Adult Children	<u>5,376</u>	<u>5,645</u>	<u>5,927</u>	<u>6,223</u>	<u>6,535</u>
Total	\$ 10,752	\$ 16,934	\$ 23,708	\$ 31,117	\$ 39,207
Balance	\$ 43,248	\$ 53,314	\$ 56,605	\$ 52,488	\$ 40,281

Fiscal Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues					
Carryforward	\$ 40,281	\$ 32,975	\$ 9,544		
Appropriation	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>
Total	\$ 67,281	\$ 59,975	\$ 36,544	\$ 27,000	\$ 27,000
Expenditures					
School-Age Children	\$ 27,445	\$ 43,226	\$ 37,823	\$ 47,657	\$ 40,040
Adult Children	<u>6,861</u>	<u>7,204</u>	<u>7,565</u>	<u>7,943</u>	<u>8,340</u>
Total	\$ 34,306	\$ 50,430	\$ 45,388	\$ 55,600	\$ 48,380
Balance/Shortfall	\$ 32,975	\$ 9,544	\$ -8,843	\$ -28,600	\$ -21,380

Fiscal Year	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Revenues					
Carryforward					
Appropriation	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>
Total	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000
Expenditures					
School-Age Children	\$ 61,299	\$ 36,779	\$ 57,927	\$ 40,549	\$ 42,576
Adult Children	<u>8,757</u>	<u>9,195</u>	<u>9,655</u>	<u>10,137</u>	<u>10,644</u>
Total	\$ 70,056	\$ 45,974	\$ 67,582	\$ 50,686	\$ 53,221
Shortfall	\$ -43,056	\$ -18,974	\$ -40,582	\$ -23,686	\$ -26,221

Fiscal Year	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
Revenues						
Carryforward						
Appropriation	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>	<u>27,000</u>
Total	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000	\$ 27,000
Expenditures						
School-Age Children	\$ 33,529	\$ 46,941	\$ 24,644	\$ 25,876	\$ 13,585	\$ 14,264
Adult Children	<u>11,176</u>	<u>11,735</u>	<u>12,322</u>	<u>12,938</u>	<u>13,585</u>	<u>14,264</u>
Total	\$ 44,705	\$ 58,676	\$ 36,966	\$ 38,814	\$ 27,170	\$ 28,528
Shortfall	\$ -17,705	\$ -31,676	\$ -9,966	\$ -11,814	\$ -170	\$ -1,528