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STATEMENT OF
Dr. Curt Gilroy and Mr. Tom Bush

Before The
Senate Committee on Veterans' Affairs

ON

Military Force Management and
Enhancements to the
Montgomery GI Bill

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INTRODUCTION

Good morning Mr. Chairman and members of the Committee. We are pleased to appear before you today, on behalf of the Department of Defense (DoD), to testify about the educational assistance programs available to active duty members, National Guard and Reserve members, and veterans. The current programs are the Montgomery GI Bill (MGIB), which provides educational assistance benefits to active duty members and veterans, and the Montgomery GI Bill for the Selected Reserve (MGIB-SR) and the Reserve Educational Assistance Program (REAP), which provide educational assistance benefits to Guard and Reserve members. The committee is also considering bills that would create a new educational assistance program for

active duty members and veterans.

THE MONTGOMERY GI BILL

The MGIB program is a cornerstone of our active duty military recruiting efforts. There is little doubt that the MGIB has met or even exceeded the expectations of its sponsors when it was enacted and has been a major contributor to the success of the All-Volunteer Force. The original "GI Bill of Rights," created at the end of World War II, gave returning Servicemembers a comprehensive package of benefits to compensate for opportunities lost while in the military, and to ease their transition back into civilian life. The noted economist, Peter Drucker described that GI Bill by saying, "Future historians may consider it the most important event of the 20th century." Perhaps the most far-reaching provision of the GI Bill was the financial assistance it made available for veterans to attend college. The GI Bill offered returning Soldiers, Sailors, Marines and Airmen payment of tuition, fees, books, and supplies, along with a living stipend, at the educational institution of the veteran's choice.

Today's MGIB traces its lineage directly to this milestone program, with one important change. While all earlier GI Bill programs were designed to ease the transition to civilian life from a conscripted military force, since 1973 we have defended this nation with a volunteer force. Thus, as codified in Title 38, United States Code, the MGIB has as one of its purposes, "to promote and assist the All-Volunteer Force program and the Total Force Concept of the Armed Forces by establishing a new program of educational assistance based upon service on active duty or a combination of service on active duty and in the Selected Reserve to aid in the recruitment and retention of highly qualified personnel for both the active and reserve components of the Armed Forces."

In assessing the current MGIB program it is important to note that education benefits are vital to our recruiting efforts. "Money for college" consistently ranks among the major reasons young men and women give for enlisting. Enrollment in the active-duty MGIB program has risen from only 50 percent in its first year, 1985, to nearly 97 percent today. A total of 2.8 million men and women, from an eligible pool of 3.8 million, have chosen to participate in the MGIB since its implementation on July 1, 1985. Such enrollment rates demonstrate the attractiveness of the MGIB.

The current MGIB program continues to serve the Active Components of the military well. It is our belief that there are no significant shortcomings to the program.

VALUE OF THE MGIB STIPEND

In the initial year of the program-School Year 1985-86-the MGIB offset 70 percent of the average cost of total expenses at a public four-year university. Total expenses include tuition, fees, room, and board. This offset steadily declined until the early 1990s when the MGIB monthly benefit was increased from \$300 per month to \$400 per month. Since 1993, the benefit has been adjusted annually for inflation. The current rate of \$1,075 this past school year covered approximately 75% of the average total expenses at a public four-year university.

In addition to the basic MGIB benefit, three of the four Services offer an increased benefit, called a "kicker," targeting enlistments in certain critical or hard-to-fill skills and for extended periods of initial service. The Army, Navy, and Marine Corps use this incentive to annually steer about 12,000 high-quality youth into the skills necessary for efficient force management. The statutory

limit for the kicker is \$950 per month. The basic MGIB benefit plus the kicker make up the Service College Funds. This past year, the maximum benefit of the Service College Funds covered 140% of the average total expenses at a public four-year university.

There is no doubt that the MGIB serves as a key recruiting incentive. As I indicated earlier, young men and women consistently rank "money for college" as the major reason they enlist. Today, the Services are facing stiff challenges to recruiting. The number of graduates who are pursuing post-secondary education right out of high school is at an all-time high, and young people are finding that financial assistance to attend college is available from many sources. While few of those sources match the benefits of the MGIB, neither do these sources require young men and women to delay their education for a term of military service and the possibility of entering into "harm's way." The MGIB benefit should be sufficient to offset the commitment and sacrifices associated with military service.

While many may look at the benefit level of the MGIB as it relates to readjustment and transition to civilian life, we must be mindful of its effect on military force management. The potential benefits of a higher benefit level to recruiting must be carefully evaluated in light of the difficulties some of the Services are currently experiencing in the recruiting market. Attracting qualified recruits using large, across-the-board basic benefits incurs the risk that many who enter for the benefits will leave as soon as they can to use them. If so, lower first term retention could both reduce the number of experienced NCOs and Petty Officers available to staff the force, and put added pressure on the recruiting market as additional accessions are required to replace the members who leave. The Department of Education, National Center for Education Statistics states the total monthly cost of education (tuition, fees, room, and board) for School Year 2006-2007 is \$1450 (adjusted for inflation). We posit that the negative retention impact starts to outweigh the positive impacts on recruiting when the monthly benefit is higher than the total cost of education.

MONTGOMERY GI BILL FOR THE SELECTED RESERVE

Since the inception of the program in 1986 through fiscal year 2006, 1,540,755 members of the Selected Reserve have entered into service agreements to gain eligibility for the MGIB-SR benefits. Of those who committed to service in the Selected Reserve for MGIB-SR benefits, 639,516, or 42 percent, have applied for educational assistance. This indicates that educational assistance plays an important role in the decision to join the National Guard or Reserve for a large number of the eligible service members. At the end of Fiscal Year 2006, the number of Selected Reserve members eligible for MGIB-SR benefits totaled 343,553, of whom 104,746, or 30 percent, had applied to receive benefit payments. This reflects a 9% decrease in participation compared to 2005. However, the decrease in the utilization of the MGIB-SR benefit is attributed to the establishment of the Reserve Educational Assistance Program in fiscal year 2005, which is described below.

To illustrate the importance of the MGIB-SR program to our recruiting and retention efforts, just under 50 percent of members serving in the Selected Reserve today are within their eight-year military service obligation. Even those with a remaining service obligation, unless they have committed to service in the Selected Reserve in exchange for an incentive (such as the MGIB-SR), they can transfer to the Individual Ready Reserve at any time. Thus, incentives are an

important tool in staffing reserve units. An example of this importance of the MGIB-SR program is illustrated by looking at a typical Infantry Brigade Combat Team (BCT). An Infantry BCT is made up of 313 officers of which 76 percent are company grade officers and 3,439 enlisted personnel of which 82 percent are E-5s or below. Data show that the majority of enlisted personnel (75%) who use MGIB-SR benefits are E-4s or E-5s, and the vast majority of enlisted personnel are pursuing an undergraduate degree (90%). Company grade officers are the predominate users of the MGIB-SR program (70%) with 95 percent of officers pursuing an undergraduate or graduate degree. These are target populations needed to staff the force.

To sustain the All-Volunteer Force, particularly in the Guard and Reserve where the majority of Selected Reserve members may quit at any time, we need every tool available to get members to commit to service in the Selected Reserve. The MGIB-SR program helps us do that by requiring a member to commit to six years of service in the Selected Reserve to gain eligibility for MGIB-SR benefits.

RESERVE EDUCATIONAL ASSISTANCE PROGRAM

The new Reserve Educational Assistance Program (REAP) was developed to reward National Guard and Reserve members who served in support of a contingency operation, and National Guard members who performed federally funded state duty at the request of the President or Secretary of Defense to respond to a national emergency, and to offer an incentive to continue to serve following a mobilization when pressure to separate may be strong. A member who serves as few as 90 consecutive days is eligible for \$430 a month in educational assistance for up to 36 months. The only requirement is that the member continues to serve in the Selected Reserve, or Ready Reserve if the member was serving in the Individual Ready Reserve (IRR) when he or she was ordered to active duty. The benefit level increases to as much as \$860 per month if the member serves for two continuous years. As of March 2007, 40,180 Reserve component members have used the REAP program.

PROPOSED PROGRAMS AND ENHANCEMENTS

For today's hearing, you asked for DoD's views on several bills that would either establish new educational assistance programs or modify the existing programs. We will limit our comments to the impact of these proposals on the Active Duty Components and their MGIB entitlements contained in title 38 of the U.S. Code and the Reserve Components and their MGIB-SR and REAP entitlements contained in chapter 1606 and 1607, in title 10 of the U.S. Code, respectively. Our comments will focus on the implications of the proposals on military force management, specifically military recruiting and retention.

All of the bills under consideration share common themes of improving education benefits and supporting veterans' transition from military service to civilian life. It is clear that the Congress remains keenly interested in preserving the viability and value of the educational assistance programs. While the Department shares that interest, we particularly focus on recruitment and retention in order to help preserve the viability of the All-Volunteer Force.

S. 22, the Post-9/11 Veterans Educational Assistance Act of 2007, (as revised) offers a "World War II-like" GI Bill, paying the full cost of a college education up to the maximum charges of the highest cost public institution in the State, as well as a \$1,000 monthly stipend. This legislation is correct in stating that the MGIB was primarily designed for a "peacetime force." However, the

current MGIB program for active duty is basically sound and serves its purpose in support of the all-volunteer force. The Department finds no need for the kind of sweeping (and expensive) changes offered.

As stated previously, the average monthly cost of a public four-year institution this past school-year was about \$1,450 - therefore we could expect the average recipient to receive a monthly benefit of about \$2,400. In line with my earlier discussion about benefit levels, we are concerned that a benefit of this level would have long-term negative impact on force management. Additionally, we are concerned that this bill offers no provision for "kickers," which the Services routinely use to channel high quality youth into hard to fill and critical skills. The level of the proposed benefit for all new accessions would exceed the maximum level of the current MGIB as augmented by a maximum "kicker" of \$950, making it more difficult to target the most critical skills. For these reasons, we do not support S.22.

S. 644, the Total Force Educational Assistance Enhancement and Integration Act of 2007, would recodify chapter 1606 (MGIB-SR) and chapter 1607 (REAP) of title 10, as a new chapter in title 38. The Department does not support this bill. If enacted, it would place primary responsibility for managing critical DoD recruiting and retention incentive programs with the Secretary of the Department of Veterans' Affairs (VA). DoD's responsibility is to manage and sustain the All-Volunteer Force, while VA's responsibility is to provide benefits and other services to veterans and their dependents and beneficiaries. Placing a military force management program under VA is inconsistent with the Agencies' purpose and responsibilities.

Further, it has been widely publicized that the intent of placing the Reserve educational assistance programs in title 38 is to provide a post-service benefit. This will have a detrimental effect on retention. A preliminary assessment by a federally-funded research and development center (FFRDC) projects that modifying the REAP program to provide a post-service benefit will increase attrition by 20 percent among members who are not already eligible for MGIB benefits. Further, the FFRDC preliminarily estimated that it could cost the Department approximately \$450M annually to offset the negative effects of providing a portability benefit.

Finally, the Administration has worked with Congressional Budget and Appropriation Committees to ensure that the true cost of manpower is reflected in the budget of all agencies so that both cost and policy are not separated. Reserve education benefits are mainly recruiting and retention tools and for this reason they were funded on an actuarial basis in the DoD budget at the inception of the MGIB. The Administration does not support dismantling this funding mechanism as it would be contrary to transparent and responsible budgeting. For these reasons, the Department does not support S. 644.

S. 698, the Veterans' Survivors Education Enhancement Act of 2007, would make changes to the benefits accrued under the provisions of Chapter 35, Title 38, United States Code. We see no impact of this provision on military force management and defer to VA's views on other aspects of this bill.

S. 723, the Montgomery GI Bill Enhancement Act of 2007, seeks to provide enhancements to the MGIB for certain individuals who serve on active duty after November 16, 2001. This bill would provide new recruits the opportunity to enroll in MGIB without the \$1,200 pay reduction,

and would also refund \$1,200 to those already enrolled. Ultimately, it would ensure that all members, who were eligible and served during this period of national emergency, are enrolled in the MGIB at no cost. This proposal would, in effect, result in a "pay raise" of \$100 per month for the first year of service. Offering the benefit without a pay reduction would enhance the value of the MGIB; however, since about 97 percent of new recruits remain enrolled in the MGIB with the current pay reduction provision, the pay reduction does not appear to be a significant disincentive.

The cost to the government must be considered. Preliminary estimates show an annual loss to the Treasury of at least \$180M as a result of the elimination of the pay reduction. An additional amount estimated to be over \$1.8B would be required to make refunds to those who have already had their pay reduced.

Additionally, the Bill gives individuals who have elected not to enroll in the MGIB a second chance to enroll. This provision would have no significant impact on military force management.

Finally, eliminating a certain group of servicemembers from the requirement to make contributions because of the time period they served results in inequities in the program. Many of our servicemembers have been put in harms way, but would fall outside of the time period for being eligible for the benefit. Therefore, we do not support S. 723.

S. 1261, the Montgomery GI Bill for Life Act of 2007, repeals the 10-year limit on use of MGIB benefits and the 14 year delimiting period for use of the MGIB-SR benefit and repeals the delimiting period for disabled member under the REAP benefit. We see no negative impact of this provision on military force management. Thus, the Department supports sections 3 and 4 of the bill. We defer to VA for comment on section 2.

S. 1293, the Veterans' Education and Vocational Benefits Improvement Act of 2007, would provide a four-year temporary authority beginning October 1, 2008, to expand accelerated payment of educational assistance for certain high-cost programs of education under the MGIB-AD program and would authorize similar accelerated payment of educational assistance under the two reserve programs-MGIB-SR and REAP, as well as the Survivors' and Dependents' Educational Assistance (DEA) program. S. 1293 also would amend REAP to allow reserve component members who served an aggregate of three years or more of qualifying duty to receive an educational assistance allowance at 80 percent of the MGIB-AD rate for an individuals who completed at least three years of obligated service on active duty. Currently under REAP, a member is required to serve at least two continuous years to receive the 80 percent rate. Finally, S. 1293 would authorize a program, similar to the MGIB-AD program, by allowing members to "buy up" their REAP benefit by making after-tax contributions of up to \$600 to augment the monthly amount of basic educational assistance they receive during their 36 months of entitlement to educational assistance payments. The cost to DoD for providing accelerated payments is limited by the Bill to a total \$12M (\$2M per year for MGIB-SR and \$1M per year for REAP). The preliminary five-year cost estimate to allow reserve component members to "buy-up" their REAP benefit is \$15M. The preliminary five-year cost estimate of allowing members who serve an aggregate of three year to receive benefit payments at the 80 percent level is \$11M. The estimated total five-year cost to DoD is \$38M. This modest

investment would provide Reserve component members with additional options for using their educational assistance benefits while supporting DoD's retention efforts. Allowing a member to accumulate periods of service in order to qualify for a higher benefit is consistent with the Secretary's force utilization policy, which is to limit mobilizations to no more than one year and the Department's continuum of service construct, which is to facilitate varying levels of service as the member's situation allows. Therefore, the Department supports those provisions of S. 1293, which would provide for accelerated payments under the MGIB-SR and REAP programs, allow Reserve component members who serve for three cumulative years to qualify for the highest benefit level under the REAP program and permit members to "buy up" their benefit level-like the option available under the MGIB program-by contributing up to \$600. We defer to the Department of Veterans Affairs on the changes to the MGIB and SDEA programs since those programs are funded by the Department of Veterans Affairs.

S. 1409, the 21st Century GI Bill of Rights Act of 2007, much like S. 22 (as revised), offers a "World-War II-like" GI Bill that would cover the full cost of college tuition, fees, room, and board. This Bill does limit the benefit amount at the national average of public and private four-year institutions. We estimate that this benefit level would have limited the monthly payment to about \$2,050 for this past school-year. In line with my earlier discussion regarding S. 22, we are concerned that a benefit of this level would have long-term negative impact on force management. Therefore, we do not support this bill.

S. 1719 would provide additional educational assistance under the MGIB for veterans pursuing a degree in science, technology, engineering, or math. We see no impact of this provision on military force management. Therefore, we defer to VA's views on this bill.

CONCLUSION

Today, the volunteer military stands ready, willing, and able to defend our great nation, as well as its values and principles. Credit for our success in attracting high-quality people to serve in uniform belongs in large measure to the Congress and to your Committee for providing military members with the benefits embodied in the educational assistance programs. Few areas, if any, are more important to DoD than recruiting and retention. We recognize our duty to man the All-Volunteer Force with high-quality, motivated, and well-trained men and women. The MGIB education benefit has been a major contributor to recruiting achievements for more than 20 years. As we move through the 21st Century, we must continue to build upon the remarkable legacy of the visionaries who crafted preceding versions and improvements in the GI Bill. I thank this Committee for its dedicated support to the men and women who currently serve, and those who have served, our great nation.