

**STATEMENT OF  
Dr. Curt Gilroy and Mr. Tom Bush**

**Before The  
Subcommittee on Economic Opportunity  
of the  
House Committee on Veterans' Affairs**

**ON**

**“Pending  
Montgomery GI Bill Legislation”**

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**1:00 PM**

## **INTRODUCTION**

Good afternoon Madam Chairwoman and members of the Subcommittee. We are pleased to appear before you, on behalf of the Department of Defense (DoD), to testify about proposed changes to 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, veterans and National Guard and Reserve members who complete the required active duty service, the MGIB for the Selected Reserve (MGIB-SR), which provide educational assistance benefits to members of the Selected Reserve and the Reserve Educational Assistance Program (REAP), which provides educational assistance to Ready Reserve members who served in support of a contingency operation, and under certain circumstances, to National Guard members who served on full-time National Guard duty for designated purposes.

For today's hearing, you asked for DoD's views on seven specific items of pending legislation. Specifically, the invitation asked for the Department's views on H.R. 2910, H.R. 1211, H.R. 2247, H.R. 2385, H.R. 1102, H.R. 1214, and H.R. 2702.

## **MGIB**

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 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 increased from \$300 per month to \$400 per month. Since 1993, the benefit has been adjusted annually for inflation. The current rate of \$1,101 for this school year covers approximately 75 percent 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 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 percent 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 we indicated earlier, young men and women consistently rank “money for college” as a 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 was \$1,450 (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.

### **MGIB-SR AND REAP**

The MGIB-SR also serves its intended purpose well. Since the inception of the program in 1986 through Fiscal Year 2007, 1.6 million members of the Selected Reserve have entered into service agreements to gain eligibility for MGIB-SR benefits. Of those who committed to service in the Selected Reserve for MGIB-SR benefits, 663,000, or 41 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 366,000, of whom 106,600, or 29 percent, had applied to receive benefit payments.

REAP was enacted in Fiscal Year 2005 to provide an educational assistance program specifically for National Guard and Reserve members who serve in support of a contingency operation and National Guard members who support certain federal missions in a federally funded state duty status. A member who serves for as few as 90 days of continuous service is eligible for a benefit that is 40 percent of the three-year MGIB rate. The rate increases with longer periods of service. A member receives 60 percent of the MGIB rate for one continuous year of service and 80 percent of the MGIB rate for two continuous years of service.

## **PROPOSED LEGISLATION**

**H.R. 2910, the Veterans Education Tuition Support Act of 2007**, would provide for reimbursement of tuition to members of the Armed Forces for programs of education delayed by military service, provide for deferment of student loans and reduced interest rates for such members during periods of military service. This proposal addresses programs that are under the purview of the Department of Education (Education). Education advises this proposal is duplicative of recently enacted laws. The HEROES Act (recently made permanent in Public Law 110-93) provides the Secretary of Education waiver authority over return of student aid similar to the waiver mandated in H.R. 2910; in addition, the College Cost Reduction and Access Act signed into law in September provides 13 months of loan deferment for borrowers called to active duty. Moreover, the Servicemembers Opportunity Colleges (SOC), which is a consortium of colleges and universities dedicated to helping Service members, has been very effective in helping student reservists who encounter a problem. We are not aware of any problems that SOC has not been able to resolve.

**H.R. 1211, the Resuming Education after Defense Service Act of 2007**, would provide that service may be aggregated to qualify for MGIB benefits. Specifically, a Reserve component member who aggregates two years of active duty service in any five-year period would qualify for the MGIB two-year benefit. The bill would also establish a formula for the duration of assistance based on the number of months the member served on active duty. The concept of allowing a member to aggregate periods of service to qualify for a benefit is in keeping with our continuum of service concept and the Secretary's force utilization policy. However, we defer to the Department of Veterans Affairs (VA), as this proposal would affect a program under its purview.

**H.R. 2247, the Montgomery GI Bill for Life Act of 2007**, would repeal the 10-year limit on use of MGIB benefits and the 14-year limit for use of the MGIB-SR benefit, and would repeal the delimiting period for disabled member under the REAP benefit. We defer to VA for comment on section 2 (eliminating the MGIB delimiting period), and we see no negative impact resulting from section 4 (eliminating the REAP delimiting period for disabled members). We estimate that eliminating the 10-year delimiting period for disabled members under REAP would

cost less than \$1M per year. The Department supports the concept of eliminating the MGIB-SR 14-year delimiting period for Selected Reserve members provided members continue to serve in the Selected Reserve. The Department also supports repealing the MGIB-SR 10-year delimiting period for members separated because of a disability. However, this section of the bill is substantively flawed in that it no longer provides the authority to continue to pay benefits to disabled members. Therefore, the Department does not support section 3, as drafted.

**H.R. 2385, the 21<sup>st</sup> Century GI Bill of Rights Act of 2007**, would offer 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. 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.

In line with our earlier statement 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. In addition, the Small Business Administration (SBA) advises that it would object to the proposed \$100,000 veterans "microloan" provision. The subsidy cost of the loans at the specified interest rate will be at least 10 percent (our rough estimate). In addition, microlending intermediaries have little experience in making loans of this size. The maximum loan most microloan intermediaries make is about \$35,000. SBA's Patriot Express loan program, which operates through the 7(a) loan program, is the more appropriate vehicle for loans from \$35,000 to \$100,000. For these reasons, we oppose H.R. 2385. This bill also would have significant impact on the VA budget; therefore, again we would defer to the VA regarding the bill's costs.

**H.R. 1102, the Total Force Educational Assistance Enhancement and Integration Act for 2007**, would recodify chapter 1606 (MGIB-SR) and chapter 1607 (REAP) of title 10, as a new chapter in title 38. The Department opposes this bill. If enacted, it would place primary responsibility for managing critical DoD recruiting and retention incentive programs with the VA Secretary. 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 its purpose and VA's responsibilities.

**H.R. 1214, the Veterans' Survivors Education Enhancement Act**, would make changes to the benefits accrued under the provisions of Chapter 35 of title 38, United States Code. We see no impact of this provision on military force management. Therefore, we defer to the VA for comment on this legislation, as it will affect the VA budget.

**H.R. 2702, the Post-9/11 Veterans Educational Assistance Act of 2007**, would offer 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 and a \$1,000 monthly stipend. As stated previously, the average monthly cost of a public four-year institution this past school year was about \$1,450. However, under H.R. 2702, we could expect the average recipient to receive a monthly benefit of about \$2,400. The Department opposes this bill for similar concerns as cited previously regarding H.R. 2385.

## CONCLUSION

The Department is committed to providing educational assistance that recognizes the service and sacrifices of our Service members and helps them achieve their educational goals. If the primary purpose of the program is to help the Services achieve force management objectives, the program should appropriately remain with DoD. However, if the purpose of the program is to support veterans in their transition from military to civilian life, then the program is more appropriately placed with the VA. Like veterans of World War II, today's soldiers, sailors, airmen, Marines and Coast Guard members stand ready, willing, and able to defend our great Nation. However, unlike World War II, today we have an all-volunteer force and the Services

need programs that will help them achieve their manning objectives. Educational assistance has played an important role in that and we would appreciate the continued support of this Committee in helping the Department sustain the all-volunteer force while continuing to provide members with programs that help them achieve their educational goals.