

STATEMENT OF

Michael Dominguez

**Principal Deputy Under Secretary of Defense
for Personnel and Readiness**

and

Thomas F. Hall

Assistant Secretary of Defense for Reserve Affairs

Before The

**Subcommittee on Economic Opportunity
Of the House Committee on Veterans' Affairs**

ON

Updating the Montgomery GI Bill

October 18, 2007

2:00 PM

Honorable Michael L. Dominguez

Principal Deputy Under Secretary of Defense

for Personnel and Readiness



Michael L. Dominguez was nominated by the President as the Principal Deputy Under Secretary of Defense for Personnel and Readiness on November 21, 2005 and confirmed by the Senate on July 11, 2006. As a presidential appointee confirmed by the Senate, he is the primary assistant to the Under Secretary of Defense for Personnel and Readiness providing staff advice to the Secretary of Defense and Deputy Secretary of Defense for total force management as it relates to manpower; force structure; readiness; Reserve Component affairs; health affairs; training; and personnel policy and management, including equal opportunity, morale, welfare, recreation, and quality of life matters.

Prior to this appointment, Mr. Dominguez served, from August 2001 until July 2006, as the Assistant Secretary of the Air Force for Manpower and Reserve Affairs. His responsibilities included developing and overseeing Air Force manpower and personnel policies, readiness, and Reserve Component affairs.

Mr. Dominguez also served as Acting-Secretary of the Air Force from March 28, 2005 thru July 29, 2005. In this role, he was responsible for the affairs of the Department of the Air Force, including the organizing, training, equipping and providing for the welfare of its more than 360,000 men and women on active duty, 180,000 members of the Air National Guard and the Air Force Reserve, 160,000 civilians, and their families.

As an Air Force dependent, Mr. Dominguez grew up on bases around the world. After graduating in 1975 from the U.S. Military Academy at West Point, N.Y., he was commissioned a second lieutenant in the U.S. Army, reported to Vicenza, Italy, then worked varied assignments with the 1st Battalion, 509th Infantry (Airborne) and the Southern European Task Force. After leaving the military in 1980, Mr. Dominguez went into private business and attended Stanford University's Graduate School of Business. In 1983 he joined the Office of the Secretary of Defense as an analyst for Program Analysis and Evaluation (PA&E).

Mr. Dominguez entered the Senior Executive Service in 1991 as PA&E's Director for Planning and Analytical Support. In this position he oversaw production of DOD's long-range planning forecast and its \$12 billion in annual information technology investments. He also directed the PA&E modernization of computing, communications and modeling infrastructure. He joined the Chief of Naval Operations staff in 1994 and assisted in the Navy's development of multi-year programs and annual budgets. Mr. Dominguez left federal government in 1997 to join a technology service organization. In 1999 he began work at the Center for Naval Analyses where he organized and directed studies of complex public policy and program issues. In 2001 he rejoined the staff of the Chief of Naval Operations where he worked until his appointment as Assistant Secretary of the Air Force.

EDUCATION

1975 Bachelor of Science degree, U.S. Military Academy, West Point, N.Y.

1983 Master's degree in business administration, Stanford University, Stanford, Calif.

1989 Program for Senior Officials in National Security, Harvard University

CAREER CHRONOLOGY

1. June 1983 - September 1988, program analyst, Office of the Secretary of Defense for Program Analysis and Evaluation, Washington, D.C.

2. October 1988 - September 1991, executive assistant to the Assistant Secretary of Defense for Program Analysis and Evaluation, Washington, D.C.

3. October 1991 - September 1994, Director for Planning and Analytical Support, Office of the Assistant Secretary of Defense for Program Analysis and Evaluation, Washington D.C.

4. October 1994 - April 1997, Associate Director for Programming, Office of the Chief of Naval Operations, Washington, D.C.

5. April 1997 - September 1999, General Manager, Tech 2000 Inc., Herndon, Va.

6. September 1999 - January 2001, Research Project Director, Center for Naval Analyses, Alexandria, Va.

7. January 2001 - August 2001, Assistant Director for Space, Information Warfare, and Command and Control, Office of the Chief of Naval Operations, Washington, D.C.

8. August 2001 - March 2005, Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.

9. March 2005 – July 2005, acting Secretary of the Air Force and Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.

10. July 2005 – July 2006, Assistant Secretary of the Air Force for Manpower and Reserve Affairs, Washington, D.C.

11. July 2006 – Present, Principal Deputy Under Secretary of Defense for Personnel and Readiness, Washington, D.C.

AWARDS AND HONORS

1980 Army Commendation Medal

1988 and 1994 Defense Meritorious Civilian Service Medal

1993 Defense Civilian Service Medal

1997 Superior Civilian Service Medal, Department of the Navy

1998 Meritorious Executive Presidential Rank Award

January 2005, July 2005 and July 2006, Air Force Exceptional Civilian Service Medal

Honorable Thomas F. Hall

Assistant Secretary of Defense for Reserve Affairs

Secretary Thomas F. Hall, a native of Barnsdall, Oklahoma, was sworn in as the fourth Assistant Secretary of Defense for Reserve Affairs on October 9, 2002. A Presidential appointee confirmed by the Senate, he serves as the principal staff assistant to the Secretary of Defense on all matters involving the 1.2 million members of the Reserve Components of the United States Armed Forces. He is responsible for overall supervision of Reserve Component affairs of the Department of Defense.



Secretary Hall is a retired two-star Rear Admiral having served almost 34 years of continuous active duty in the United States Navy. He is a distinguished and decorated Naval Aviator, who served a combat tour in Vietnam. He has performed in numerous high level staff, command, and NATO positions during his career. He commanded Patrol Squadron EIGHT, Naval Air Station Bermuda, and the Iceland Defense Force. His final military assignment was as the Commander/Director/Chief of Naval Reserve. His military awards include the Distinguished Service Medal, Defense Superior Service Medal, Legion of Merit, Air Medal, and various other personal and unit decorations. He was awarded the Order of the Falcon, with Commander's Cross, by the President of Iceland in recognition of his accomplishments and service as Commander Iceland Defense Force. In 2000, he was given the International Partnership Award for his service to the United States and Iceland. He has been inducted into the Oklahoma Military Hall of Fame. In 2003, he was given the National Service Award for Leadership by the Federal Law Enforcement Foundation. In 2004, he was given the National Citizenship Award by the Military Chaplains Association of the United States. In 2005, he was given the Admiral Jackson Award by the Reserve Officers Association. In 2006, Secretary Hall was inducted into the Reserve Officers Association Minuteman Hall of Fame. Also in 2006, he was awarded the Department of Defense Medal for Distinguished Public Service, for his outstanding performance as the Chief Negotiator heading an interagency team involved in delicate bi-lateral discussions.

Secretary Hall attended Oklahoma State University for one year before entering the United States Naval Academy in Annapolis, Maryland. In 1963, he graduated from the Academy with a bachelor's degree in Engineering and was named as one of the top 25 leaders in his class, having commanded both the top Battalion and Company. He was, also, awarded the Brigade Intramural Sports Trophy. In 1971, he received a master's degree in Public Personnel Management from George Washington University. He graduated with highest distinction from the Naval War College; with distinction, from the National War College; and from the National Security Course at Harvard University. He was selected as a Fellow and served on the Chief of Naval Operations Strategic Studies Group.

Secretary Hall has served on the Boards of Directors of numerous nonprofit organizations that are supporting the needs of our veterans and citizens in general. Prior to returning to government service, Secretary Hall served as the Executive Director of the Naval Reserve Association for six years. The Naval Reserve Association is a 501 (c) (3) nonprofit veterans' organization that represents over 23,000 Naval Reserve officers, members, and their families.

Secretary Hall is married to the former Barbara Norman of Jacksonville, Florida. They have one son, Thomas David Hall

INTRODUCTION

Good afternoon Madam Chairwoman and members of the Subcommittee. 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. For today's hearing, you asked the Department to comment on four areas:

1. What specific issues should the Subcommittee address to meet the needs of today's service members and veterans?
2. Has the Department identified any problems in the current MGIB or MGIB-SR?
3. Does the Department have any recommendations to streamline or simplify the MGIB or MGIB-SR?
4. Should the Subcommittee be concerned about specific MGIB or MGIB-SR related legislation that is pending before Congress?

Before turning to these specific questions, we would like to give a brief overview of the current educational assistance programs — 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 National Guard and Reserve members.

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 service members 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 \$1,101 this school year covers approximately 73% 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 year, the maximum benefit of the Service College Funds covers about 136% of the estimated 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 average 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.

MONTGOMERY GI BILL FOR THE SELECTED RESERVE

Since the inception of the program in 1986 through fiscal year 2006, 1,500,000 members of the Selected Reserve have entered into service agreements to gain eligibility for benefits under the Montgomery GI Bill for the Selected Reserve. 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. As of August 2007, slightly under 40 percent of members currently serving in the Selected Reserve are eligible for MGIB-SR benefits. We also have another 10 percent of currently serving Selected Reserve members who are now beyond the 14-year MGIB-SR delimiting period.

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. Among those who have a remaining service obligation, they have the option of transferring to the Individual Ready Reserve at any time unless they have a contractual Selected Reserve service obligation based on receiving an incentive (such as the MGIB-SR). Thus, incentives are an important tool in staffing our reserve units.

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 recruit and retain members 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 and remain in the Selected Reserve to retain eligibility.

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 by offering 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 \$440 a month in educational assistance for up to 36 months. The benefit increases for members who serve longer, with a member who serves for at least one continuous year eligible for a benefit of \$660 a month and a member who serves for at least two continuous years eligible for a benefit of \$880 per month. 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 when he or she was ordered to active duty. As of September 2007, 41,388 Reserve component members have used the REAP program.

NEEDS OF TODAY'S SERVICEMEMBERS AND VETERANS

The most recent survey data on Reserve educational assistance program show that 17 percent of respondents were pursuing an education of which 42 percent were using the MGIB-SR benefit, 14 percent were using the MGIB-AD benefit and 15 percent were using the REAP benefit. We also asked how satisfied members were with their educational benefits. Seventy-four percent responded that they were satisfied or very satisfied. Another 14 percent responded that they were neither satisfied nor dissatisfied, with eight percent dissatisfied and four percent very dissatisfied. This feedback indicates that the programs are working well. Although as noted below, there are areas where we believe program improvements are warranted.

Moreover, for the programs that are under the jurisdiction of the Department of Defense—the Montgomery GI Bill for the Selected Reserve and the Reserve Educational Assistance Program—we must look at these recruiting and retention incentives through the lens of force management. We know that there are different factors or incentives that motivate an individual to join the military and to remain in the military. So we must determine if the incentives we offer are achieving our force management objectives. We also must balance priorities that are competing for limited resources.

As previously noted, the current percent of the force that has gained eligibility for the Montgomery GI Bill for the Selected Reserve is only slightly below the historic level—two percent. This is an indication that members still value the program. One area we have

specifically looked at is the benefit rate. While the law provides for an annual rate adjustment based on the Consumer Price Index, there has been concern that benefit level has not kept up with the rising cost of education or increases to the MGIB programs. Therefore, we asked the DoD Actuary to develop a cost projection to increase the MGIB-SR benefit rate to 50 percent of the three-year MGIB benefit level, which would bring the rate for a full-time student to \$550 compared to the current rate of \$317. The Actuary projected that this \$233 or 75 percent increase in the benefit would cost just over \$1B over the next five years.

Another possible change the Department is considering is an increase in the MGIB-SR kicker, which currently has a maximum limit of \$350 a month. Adjusting the kicker rate would help the Services achieve force-shaping objectives by providing a richer kicker benefit to members who agree to serve in a skill designated as critically short. Unlike a general rate adjustment, this would help the Department relieve some of the stress on the force by providing an additional retention incentive for members who are currently in or will retrain into a critically short skill or specialty.

PROBLEMS IN THE CURRENT PROGRAMS

As stated earlier, the current MGIB program continues to serve the Active Components of the military well and we see no significant problems with the program.

We do have a concern with both the Montgomery GI Bill for the Selected Reserve and the Reserve Educational Assistance Program. Initiatives to reset the force and the drawdown of forces in the Air Reserve components could lead to some members losing eligibility to either or both programs.

Therefore, this year the Department submitted legislation that would renew the MGIB-SR drawdown provision of the 1990's. This would allow a member to retain MGIB-SR eligibility for up to 10 years following separation from the Selected Reserve provided the reason for separating from the Selected Reserve was a result of force-shaping initiatives associated with Base Closure and Realignment (BRAC) action. We are pleased that the Senate-passed version of the National Defense Authorization Act for Fiscal Year 2008 (2008 NDAA) (section 675 of H.R. 1585) included this provision.

The Department also proposed an amendment to REAP which would allow a member of the Selected Reserve who incurs a break in Selected Reserve service, but remains in the Individual Ready Reserve or Inactive National Guard during that break, to continue to receive educational assistance payments for up to 90 days provided the member retains in the Individual Ready Reserve. If the break extends beyond 90 days, benefit payments would be suspended, but the member would not lose eligibility for the REAP benefit. Currently, the Selected Reserve member retains eligibility for REAP up to 90 days with no benefit payments, but loses all eligibility after 90 days. The change proposed by the Department would allow for a short period of uninterrupted benefits for members who transition between units or components and allow a member who has earned a benefit to retain the benefit indefinitely provided the member remains in the Ready Reserve. Regrettably, this proposal was included in neither the House nor Senate passed versions of the 2008 NDAA.

STREAMLINING OR SIMPLIFY THE PROGRAMS

This past year, there has been considerable interest in changing the two reserve educational assistance programs—primarily to allow a member to use the benefit after voluntarily separating from the Service. The reason typically cited for this change is that Reserve component members are now being called up to perform operational missions rather than to just train; therefore, it is only fair that they are allowed to use their educational assistance benefits after they leave the service — just like active duty members.

There have been two approaches proposed to accomplish this. The first is to consolidate the three separate educational assistance programs into a “Total Force GI Bill” in title 38 of the U.S. Code. The second approach is simply recodify the two reserve educational assistance programs into title 38. In fact legislation is pending that would move both the MGIB-SR and REAP programs to title 38. While the Department strongly supports changes to the reserve educational assistance programs that help sustain the Reserve components and the All-Volunteer Force, we do not support consolidating the three educational assistance programs or transferring responsibility for the reserve educational assistance programs to the Department of Veterans Affairs.

The concept of a “Total Force GI Bill” was to create a single program drawing from the best attributes of all three educational assistance programs. But if the programs are to continue to serve the purposes for which they were designed, it may be difficult to truly have one program. The calls for a single program simply views military service as the pathway to an education benefit, not a program to retain members. All the “Total Force” proposals we have reviewed do not integrate the three programs; they simply remain three separate and distinct stand-alone programs that would be codified with some slight modifications in title 38.

Moving the two reserve educational assistance programs to title 38 would place military force management programs under the jurisdiction of this committee and have them administered by the Secretary of Veterans Affairs. This neither streamlines nor simplifies the programs. Nor does it fit with the purpose for which these programs were created—recruiting and retention. These are force management functions that belong to the Department of Defense, not the Department of Veterans Affairs. The Department of Veterans Affairs provides benefits and services to veterans and their families. The mission of DoD is to provide a fit, ready force to defend this nation. To do that, we need a range of incentives to help us manage, sustain and shape the force. Moving the two reserve program to the Department of Veterans Affairs does not help us to that.

Moreover, Reserve component members can and do earn MGIB-AD benefits. In fact, nearly 50 percent of all currently serving members of the Selected Reserve are already eligible for MGIB-AD benefits by virtue of prior active duty service. And a member who serves for two continuous years in support of a contingency operation qualifies for both MGIB-AD and REAP, which have nearly identical benefit payment amounts. The member has the choice of which benefit he or she would like to use.

Some commonality among all of the programs makes sense. They should all provide assistance for the same education programs so, other than the amount paid, use of any program is transparent to the student and educational institution. This can be achieved by linking the benefits available in the title 10 programs to the benefits provided in the title 38 programs, just as we did when we linked the benefit rates for the title 10 REAP program to the title 38 MGIB rate.

In doing this, when a program is added under the MGIB program, it would automatically be added to the MGIB-SR and REAP programs.

PENDING LEGISLATION

Finally, the Subcommittee asked if there is any legislation that the Subcommittee should be concerned about that is currently pending in the Congress.

There are a number of proposals to enhance the current Montgomery GI Bill. Most of these affect the Department of Veterans' Affairs, which has the responsibility for administering and funding the Active Duty Montgomery GI Bill program. However, there is one bill (S. 22) that has received much attention that would have an effect on active duty force management.

S. 22 (as revised), the Post-9/11 Veterans Educational Assistance Act of 2007, offers a "World War II-like" GI Bill educational assistance benefit. If enacted, a veteran would be paid 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 Montgomery GI Bill (MGIB) was primarily designed for a "peacetime force." However, as previously stated, the current MGIB program for active duty is basically sound and serves its purpose in support of the All-Volunteer Force. While it may warrant some changes at the margin, there is no need for the kind of sweeping (and expensive) changes offered in S. 22.

The average cost of a public four-year institution this past school-year was about \$1,450/month. Adding a \$1,000 monthly stipend would bring a monthly benefit to about \$2,450. The Department is concerned that a benefit of this amount would have long-term negative impacts on force management. It would be an enlistment incentive, to be sure; but it would be a larger reenlistment disincentive. Additionally, we are concerned that this Bill offers no provision for "kickers," which, as stated earlier, are used by the Services to channel high quality youth into hard-to-fill and critical skills.

There are also a number of bills that would make changes to the MGIB-SR and REAP programs. The Department's concern with many of the changes being proposed is that they affect the Reserve service obligation. Unlike individuals who have an obligation to serve on

active duty, many Reserve component members are under no obligation to serve in the Selected Reserve. Unless an individual commits to Selected Reserve service because he or she receives a bonus, receives student loan repayments, or commits to Selected Reserve service for the MGIB-SR benefits, a Guard or Reserve member makes a choice to continue to participate each time he or she reports for a drill weekend.

This is why we are so interested in retaining the retention aspect of the two reserve educational assistance programs. If we still had a conscripted force, then retention would not be as much of a concern. But we have an All-Volunteer Force and we need incentives that encourage Guard and Reserve members to continue to serve, rather than providing incentives that encourage them to leave the force.

As previously noted, the legislation proposed by the Department is designed to improve REAP for the member and help the Department meet its force management objectives. This is in stark contrast to many of the sweeping changes in bills currently pending before Congress.

H.R. 1585 (Section 525), the National Defense Authorization Act for Fiscal Year 2008 (as passed by the House) and **S. 644**, the Total Force Educational Assistance Enhancement and Integration Act of 2007, would both recodify chapter 1606 (MGIB-SR) and chapter 1607 (REAP) of title 10, as a new chapter in title 38. As previously described, these provisions would place primary responsibility for managing two critical DoD recruiting and retention incentive programs with the Secretary of Veterans' Affairs. While the amendments proposed in both bills would for the most part leave these two programs as currently structured in title 10—recruiting and retention incentives—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 could increase attrition by 10 percent among members who are not already eligible for MGIB benefits. If this change is enacted, it will impose an additional cost to DoD while transferring the cost of the current program to the Department of Veterans Affairs as direct spending—thus increasing

the total cost to government. There is little doubt that such a change will increase attrition. Therefore, in order for DoD to sustain the same force level, the Department will incur a new replacement costs created when members who would otherwise remain in the Guard or Reserve in order to use these benefits separate. On a per capita basis, it will cost the Department \$17,400 to recruit a replacement and train that replacement to an entry skill level. Furthermore, in the current recruiting environment, the Reserve components are offering accession incentives ranging from \$10,000 to \$20,000. This will bring the total cost to replace each individual to between \$27,400 and \$37,400, depending on the accession incentive involved. Using the average incentive cost of \$15,000, an increase in attrition as little as one percent would cost DoD an additional \$518M over the next five years to maintain the current force level.

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. Reserve education benefits are recruiting and retention incentives and, for this reason, they were funded on an actuarial basis in the DoD budget at the inception of the MGIB. Transferring responsibility for these two programs to DVA dismantles this funding mechanism with the programs then being budgeted as direct spending, which is contrary to transparent and responsible budgeting.

H.R. 1585 (Section 676), the National Defense Authorization Act for Fiscal Year 2008 (as passed by the Senate) would allow a member who completes the required period of contingency service and any other contractual service obligation to retain REAP eligibility for 10 years after separating from the Selected Reserve. As noted previously, most Selected Reserve members are not obligated to serve in the Selected Reserve. If enacted, this provision would take away one of our retention incentives. This would provide a post-service benefit for a member who serves as few as 90 days on active duty, compared to the eligibility criteria to qualify for the MGIB-AD benefit, which requires the member to serve at least two continuous years on active duty. Further, this would impose the same cost to the Department as just described for transferring the two reserve educational assistance programs to DVA.

H.R. 1585 (Section 674), the National Defense Authorization Act for Fiscal Year 2008 (as passed by the Senate) and **S. 1293, the Veterans' Education and Vocational Benefits**

Improvement Act of 2007, would provide authority, beginning October 1, 2008, for accelerated payment of educational assistance for certain high-cost programs of education under the MGIB-SR and REAP programs. Section 674 and S. 1293 would also 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 the highest benefit level authorized under this program (80 percent of the three-year MGIB-AD rate). Currently, the service requirement is for continuous years of qualifying service. Finally, section 674 and S. 1293 would authorize a program, similar to the MGIB-AD program, that allows a member to “buy up” his or her REAP benefit by making after-tax contributions of up to \$600 to augment the monthly amount of basic educational assistance the member receives during the 36 months of entitlement to educational assistance payments.

The maximum five-year cost for providing accelerated payments would be \$35M (\$4M per year for MGIB-SR and \$3M 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 years to receive benefit payments at the 80 percent level is \$11M. The estimated total five-year cost to DoD is \$61M. 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 the highest level of benefit payments under REAP would support 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 section 674 and 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-AD program—by contributing up to \$600.

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 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 and REAP educational assistance programs have been a major contributor to recruiting and retention 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 the Subcommittee for its dedicated support to the men and women who currently serve, and those who have served, our great nation.