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HEARING

ON

NATIONAL DEFENSE AUTHORIZATION ACT FOR FISCAL YEAR 2008

AND

OVERSIGHT OF PREVIOUSLY AUTHORIZED PROGRAMS

BEFORE THE

COMMITTEE ON ARMED SERVICES
HOUSE OF REPRESENTATIVES

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MILITARY PERSONNEL SUBCOMMITTEE HEARING

ON

BUDGET REQUEST ON THE IMPACT OF CHANGES TO THE RESERVE MONTGOMERY G.I. BILL

HEARING HELD
FEBRUARY 28, 2007

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CONTENTS

CHRONOLOGICAL LIST OF HEARINGS

2007

Page

HEARING:

Wednesday, February 28, 2007, Fiscal Year 2008 National Defense Authorization Act—Budget Request on the Impact of Changes to the Reserve Montgomery G.I. Bill 1

APPENDIX:

Wednesday, February 28, 2007 27

WEDNESDAY, FEBURARY 28, 2007

FISCAL YEAR 2008 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON THE IMPACT OF CHANGES TO THE RESERVE MONTGOMERY G.I. BILL

STATEMENTS PRESENTED BY MEMBERS OF CONGRESS

McHugh, Hon. John M., a Representative from New York, Ranking Member, Military Personnel Subcommittee 2

Snyder, Hon. Vic, a Representative from Arkansas, Chairman, Military Personnel Subcommittee 1

WITNESSES

Dominguez, Hon. Michael, Principal Deputy Under Secretary of Defense for Personnel and Readiness 3

Wilson, Keith, Director of Education Service, Veterans Benefits Administration, Department of Veterans Affairs 5

APPENDIX

PREPARED STATEMENTS:

Dominguez, Hon. Michael 33

McHugh, Hon. John M. 31

Wilson, Keith 43

DOCUMENTS SUBMITTED FOR THE RECORD:

Assessment of a G.I. Bill for the Total Force, Department of Defense/Department of Veterans Affairs Working Group, Executive Summary ... 79

Statement of American Council on Education submitted by David Ward, President 74

Statement of Joseph C. Sharpe, Jr., Deputy Director, Economic Commission, The American Legion 66

Statement of Partnership for Veterans' Education on the Total Force Montgomery G.I. Bill (H.R. 1102) 51

Statement of Reserve Officers Association (ROA) 72

Statement of the National Association for Uniformed Services (NAUS) on H.R. 1102, The Total Force G.I. Bill submitted by Rick Jones, NAUS Legislative Director 59

Statement of the Naval Reserve Association 62

Page

DOCUMENTS SUBMITTED FOR THE RECORD—CONTINUED
Views and Cost Estimate H.R. 1211 75
QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD:
Mr. McHugh 95
Mr. Murphy 95

FISCAL YEAR 2008 NATIONAL DEFENSE AUTHORIZATION ACT—BUDGET REQUEST ON THE IMPACT OF CHANGES TO THE RESERVE MONTGOMERY G.I. BILL

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ARMED SERVICES,
MILITARY PERSONNEL SUBCOMMITTEE,
Washington, DC, Wednesday, February 28, 2007.

The subcommittee met, pursuant to call, at 2:30 p.m., in room 2118, Rayburn House Office Building, Hon. Vic Snyder (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. VIC SNYDER, A REPRESENTATIVE FROM ARKANSAS, CHAIRMAN, MILITARY PERSONNEL SUBCOMMITTEE

Dr. SNYDER. The committee will come to order.

Gentlemen, we appreciate your being here today. Our 2 o'clock hearing is starting at 2:30 because of votes and a busy afternoon, and we appreciate you waiting.

I am pleased that you all are here today. I am pleased that we are having this hearing on the impact of changes to the Montgomery G.I. Bill (MGIB) for members of the Selected Reserves (SR).

I am going to be very brief in my opening statement, but the sentiment for a lot of us is that the changing use of the reserve component is different than when the Montgomery G.I. Bill was set up in decades past and that we need to revisit this.

Mr. McHugh very graciously held a joint hearing with one of the subcommittees from the Veterans' Affairs Committee last year when he was chairman of this subcommittee on these issues, and we had some of these discussions that I am sure will continue today in more detail.

Some of us filed a bipartisan bill with both Senate and House sponsors a couple of weeks ago, H.R. 1102, the Total Force Educational Assistance Enhancement and Integration Act of 2007.

And part of our discussion today is specific things we might need to do to improve that bill, but also to discuss the broader issue of the G.I. bill and its role in the military today.

And I want to emphasize a point that I made before. We are not looking for equality between reserve component benefits and active component. Everyone recognizes they can't be equal. But we need to look for equity.

And in the view of a lot of us, we have failed to achieve that and that our laws are failing our reserve component now.

I also want to call attention to the fact that we have a number of veterans service organizations who have asked to submit written statements for the record.

If there is no objection, I ask unanimous consent that those statements, which have been submitted by the following, be allowed in the record: the Partnership for Veterans Education, the National Association for Uniformed Services, the Naval Reserve Association, the American Legion, the Reserve Officers Association and the Reserve Enlisted Association, and the American Council on Education.

I would ask that those statements be allowed in the record.

[The statements referred to can be found in the Appendix beginning on page 51.]

Dr. SNYDER. And Mr. McHugh is recognized for such time as he needs.

STATEMENT OF HON. JOHN M. MCHUGH, A REPRESENTATIVE FROM NEW YORK, RANKING MEMBER, MILITARY PERSONNEL SUBCOMMITTEE

Mr. MCHUGH. Thank you very much, Mr. Chairman. I would ask unanimous consent my full statement can be entered in its entirety in the record.

Dr. SNYDER. Without objection.

Mr. MCHUGH. Thank you.

And just a couple opening comments.

Mr. Chairman, I think you set the stage very well. I certainly want to add my words of welcome to our two distinguished witnesses. We apologize for the late start, but it is the unwritten rule of Congress: schedule a meeting and a vote will happen. No way around that.

This is an important issue, and one in which I think there is a broad-based agreement in principle, that clearly the structure that gave birth to the government G.I. bill, with respect to active versus reserve components, is no longer prevalent.

There needs to be changes made that at least make for a somewhat more level playing field. There are critical issues of recruiting and retention. We need to do this for the troops. This is something that, obviously, as you look at the percentages, they feel is very, very important, a great benefit of being in the military.

But it serves us as well in helping us to encourage young men and women to come to the all-volunteer force, and we want to make sure that that is continued as well.

There have been a number of bills introduced already. The chairman has introduced not just bipartisan but a bicameral, House and Senate, initiative.

Actually, Dr. Bartlett, Roscoe Bartlett, of the full committee has introduced his version. And I am sure there will be others as we go along, so we have a lot of focus here.

And I commend you, Mr. Chairman, for continuing to move this initiative hopefully to a point in the not-too-distant future when we can make relevant and efficacious changes to this very, very worthy program.

With that, I would yield back.

[The prepared statement of Mr. McHugh can be found in the Appendix on page 31.]

Dr. SNYDER. Thank you, Mr. McHugh.

I also want to acknowledge this huge room. It seems like you are a long way away, but we will conduct this hearing with the same coziness that we usually do in our other meeting room.

We are just having the one panel today. We are pleased to have both of you here: the Honorable Michael Dominguez, the Principal Deputy Under Secretary of Defense for Personnel and Readiness, and Mr. Keith Wilson, Education Service Director, Veterans Benefits Administration, Department of Veterans Affairs (VA).

And, gentlemen, welcome. And we will go in whatever order you all have decided you wanted to go, as far as your opening statements.

STATEMENT OF HON. MICHAEL L. DOMINGUEZ, PRINCIPAL DEPUTY UNDER SECRETARY OF DEFENSE FOR PERSONNEL AND READINESS

Mr. DOMINGUEZ. Chairman Snyder and Congressman McHugh, first, thank you for everything you do for the men and women of the armed forces. You have certainly made great contributions to sustaining the all-volunteer force during this time of unprecedented conflict duration.

And thanks for the opportunity to discuss the educational assistance program for the Guard and Reservists.

I want to begin by acknowledging the generosity of spirit and the deep concern for the welfare of the service men and women that motivated the changes to the educational program as recently proposed by you, Chairman Snyder. I feel honored for the privilege of working with both you and Congressman McHugh on these issues.

I find myself, however, in this particular circumstance opposing consolidation of these programs into the V.A., and to recasting this as career transition programs at the expense of their powerful utility as retention tools.

The Montgomery G.I. Bill for the selected reserve and the recently enacted Reserve Educational Assistance Program (REAP), helps us attract and retain Guard and Reserve members. These educational programs are among our most valuable retention incentives.

They work as retention incentives because, unlike their active duty counterparts, most reservists do not begin a new career when they are released from active duty.

Eighty percent of reservists were employed full time when activated. Twenty-six percent were enrolled in school. In both cases, they did this while participating in the selected reserve.

Certainly, reintegration and readjustment are important to our citizen soldiers, particularly for those who do not return to the same employer and those who are not in the workforce when mobilized.

But Guard and Reserve members can use these education benefits to train for new careers or to advance in their current careers.

And we do not believe that the continued service requirement is onerous, since the first couple of years following mobilization are also the years when the demands to perform reserve service are at their lowest under the services' force generation models.

It is also important to note that Secretary Gates's recent reserve access policy announcement provides an important measure of pre-

dictability about the frequency and duration of our military's service demands on members of the Guard and Reserve.

At the hearing last fall on the same subject, the committee heard testimony urging Congress to combine the two reserve educational assistance programs into a single program under the Department of Veterans Affairs. There is already a single face to our educational institutions, and that is the V.A.

Certainly, we should also consolidate the determination of which educational programs qualify, and that should be consolidated under a single legislative authority. But I am deeply concerned about changes to the reserve programs that would affect retention outcomes we hope to achieve with these programs.

Half of those who serve in the selected reserve today have completed their initial military service obligation.

Even among those who are still within their initial eight-year military service obligation, many have no obligation to serve in the selected reserve. They can complete their service obligation in the individual ready reserve (IRR).

This is why we are so intent on incentive being tied to service in the selected reserve. We need incentives that encourage and reward our Guardsmen and Reservists to stay with us, not to leave.

And finally, our survey data tell us that Guardsmen and Reservists value and use this education benefit. And further, in our July 2005 survey, only four percent of Guard and Reserve members identified these education programs as needing improvement. These programs are not broken. They don't require radical restructuring.

Mr. Chairman, we have given a great deal of thought to educational programs and changes that would improve these programs, while continuing to assist the Department of Defense (DOD) in meeting its force management objectives.

In the short time since last year's hearing, which you made reference to, we were able to include two proposals in the Department's 2008 legislative program. The first would allow selected reserve members to retain their REAP eligibility indefinitely while in the individual ready reserve, rather than losing eligibility after 90 days.

The second would allow selected reserve members who are separated due to draw-downs, to retain Montgomery G.I. Bill Selected Reserve eligibility until the delimiting date, just as we did during the force draw-downs in the 1990's.

We have also been working closely with the Veterans Administration to identify changes to the educational assistance programs that improve those programs while not undermining retention. That work is still ongoing.

Mr. Chairman, we also want to work with you and this committee to see if we can find a way to balance retention with providing our combat-proven Guardsmen and Reservists a benefit that meets their needs for reintegration and readjustment.

I would again like to thank the committee for all its done for our men and women who serve this great country, and I look forward to your questions, sir.

[The prepared statement of Mr. Dominguez can be found in the Appendix on page 33.]

Dr. SNYDER. Mr. Wilson.

STATEMENT OF HON. KEITH WILSON, DIRECTOR OF EDUCATION SERVICE, VETERANS BENEFITS ADMINISTRATION, DEPARTMENT OF VETERANS AFFAIRS

Mr. WILSON. Thank you. Good afternoon, Mr. Chairman. Good afternoon, Ranking Member McHugh and other members of the subcommittee.

I appreciate the opportunity to appear before you today to discuss the impact of changes to the two existing Title 10 reserve-guard education benefit programs administered by V.A.; namely, the Montgomery G.I. Bill Selected Reserve and the Reserve Educational Assistance Program, known as REAP.

In particular, my testimony will address the major changes to those programs as proposed in H.R. 1102.

The MGIB–SR is the first G.I. bill to provide educational assistance to members of the selected reserve, including National Guard members. The Department of Defense funds this program and is responsible for determining eligibility for the program. V.A.'s Veterans Benefits Administration is responsible for administering the program.

MGIB–SR participants must agree to a six-year selected reserve obligation after June 30, 1985, must have completed the requirements of a secondary school diploma or its equivalent before applying for benefits, and generally must remain a member in good standing in the selected reserve.

The maximum entitlement under this program is 36 months, and participants must generally use these benefits within 14 years of their date of eligibility.

The REAP program provides educational assistance to members of the Guard Reserve who serve on active duty in support of contingency operations under Federal authority on or after September 11, 2001.

The Department of Defense again determines eligibility for this program. To establish eligibility, members must serve a minimum of 90 days on active duty. The maximum full-time entitlement allowed under this program is 36 months, and the benefit rate is a portion of the MGIB active duty program 3-year enlistment rate.

H.R. 1102 seeks to consolidate these two certain education programs and to provide an enhanced educational benefit to Guard and Reserve members. As these changes are considered, the basis for the programs should be a major guiding factor.

The three R's of recruitment, retention and readjustment must continue to be the foundation upon which any total force education benefit is to be constructed.

We believe the proposed changes should be transparent to eligible persons, and facilitate program Administration. Based on our experience in administering the education programs, we have noted that the cause of some of the greatest confusion and processing delays stems from the extensive eligibility criteria and myriad program elections that are currently required.

Shifting the governing statutes for the Chapter 1606 and 1607 programs from Title 10 to Title 38 may be appealing on the sur-

face. However, while these may facilitate V.A. oversight, it has other broader implications.

Clearly, it invests V.A. with new funding authority and responsibility beyond the Department's traditional role. In some cases, moreover, this may intrude upon matters more appropriately within the jurisdiction of the Department of Defense.

One example of this is making V.A. partly responsible for determining kicker amounts. Not only is such a decision not within our area of expertise, but the required departmental consensus could also create unnecessary and inappropriate tensions between domestic spending initiatives for veterans and force management objectives for service members. Decisions on the latter, in our view, should rest solely with the Department of Defense.

Otherwise, we have not fully assessed the impact on our Department of transferring the mentioned Title 10 programs to Title 38. Although we have not fully assessed the full cost of the bill, the proposed program changes would likely result in significant costs that are not included in the President's budget.

For this and the previously mentioned reasons, V.A. cannot support this legislation.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or any other members of the subcommittee may have.

[The prepared statement of Mr. Wilson can be found in the Appendix on page 43.]

Dr. SNYDER. Thank you, Mr. Wilson.

We are going to put ourselves on the five-minute clock.

So that means, Mr. Murphy, you have ten minutes to get your thoughts together.

Mr. Dominguez, I want to start with you, because you used the phrase that "the system is not broken."

Mr. DOMINGUEZ. Sir.

Dr. SNYDER. But on page six of your opening statement, in my view, you make a very strong argument that the system is broken. And these are your words: "To restore the historic relationship between the two programs, the Department of Defense estimates it would cost just over $13 billion over the next 5 years."

I mean, that sounds to me like we say a program is $13 billion short to restore the equity that was there for the first 15 years or 18 years of the program.

I mean, did the President include $13 billion in this budget?

Mr. DOMINGUEZ. Sir, the retention in the Guard and Reserve is at historic highs.

Dr. SNYDER. Woah, woah, woah, woah. You are answering a question I didn't ask.

Mr. DOMINGUEZ. No. This is a force management and a retention incentive program, so that the amount of money that this committee authorizes to be put in and paid out is driven by the retention needs and our force management needs. It is achieving that purpose.

And the members of the Guard and Reserve don't rate this as a program needing improvement. If you had $13 billion, according to the surveys we did in July 2005, we should put it in health care.

Dr. SNYDER. Well, we are having the same discussion we had back some time in the fall in which I think I asked you if we just took the benefit down to, you know, eight dollars a month, as long as retention rates didn't change, you would be satisfied with it.

And that is not what the attitude of the American people or this Congress is today. And so what happened before was, because of the statutory issues, we raised, under Chris Smith's leadership on the House Veterans' Committee when he was chairman, we raised the ACLE component.

We couldn't get DOD to go along, and so we went from, what is it, 47 cents on the dollar to 29 cents on the dollar for the reserve component. I think that is a broken—I think it is broken, Mr. Secretary.

And I want to take up what Mr. Wilson said. He has his three. He has three. I have a couple others there, too. He talks about it being a recruitment program, a retention tool and a readjustment tool.

Well, you completely ignore, in my view, the readjustment component of it and had no discussion about what the potential recruitment benefit could be.

And you have got this other issue of could this be a tool, the way we are talking about doing it, to encourage people to volunteer for mobilization. And so you are hanging your hat on retention.

As long as, you know, $8 a month or $20 a month, or whatever it is—as long as the retention rates stay the same, through a lot of hard work on the part of senior non-commissioned officers (NCOs) and everybody to get people to sign up. I don't think that is the way that the American people see this program.

Mr. DOMINGUEZ. This is a valuable recruitment program, particularly for the younger men and women, the 17- to 25-year-olds, because they do value this program greatly. They know how much we pay when they sign up and join the selected reserve. So it is a transparent transaction.

Dr. SNYDER. Well, I know I have had people come to my office and not realize that they had no benefit once they are no longer in the reserve, so we have got some education issues there.

And also, at the time, as you know, a lot of people signed up. They didn't know they were going to be mobilized for the length of time they are being mobilized and that their only choice is to somehow use their benefits in Iraq or Afghanistan, and that that is obviously not going to work.

And so I don't think you all are acknowledging that there are some breaks in the system, and the Congress is interested in doing some fixes.

I want to make another point. In your written statement and today, too, you talk about people going back to their jobs. And this gets to this readjustment phenomenon.

I heard former Secretary of Treasury Lawrence Summers talking yesterday. And I don't know what the numbers are, but, you know, I am almost 60 years old, and when I got out of high school, the expectation I might have a job for the rest of my life, the same job, was not unreasonable.

In this changing economy, I don't know what the turnover is now. Mr. McHugh, I think it is like 7 jobs through a career a 20-year-old can estimate having.

We need to be recognizing that just because somebody came into the reserve component, was mobilized for 18 months or 2 years, that came from a job, that that same job is there for them when they get out.

And I think this readjustment component is not getting the attention it ought to from DOD's stance on these——

Mr. DOMINGUEZ. Sure. The Uniformed Services Employment and Reemployment Rights Act of 1984 (USERRA) is a great law, number one, and that——

Dr. SNYDER. I am sorry, sir, I didn't hear.

Mr. DOMINGUEZ. USERRA is a great law in terms of the—when mobilized members are returned, the USERRA law passed by the Congress ensures that their job will be there for them in most circumstances.

Dr. SNYDER. Well, not if the factory is closed because they no longer make the product.

Mr. DOMINGUEZ. Yes, sir. In most circumstances. But here is how we think about this. The REAP, which, again, that is another fabulous program enacted by this Congress very recently, specifically to address the burdens we were placing on members of the Guard and Reserve as they shift into an operational reserve and are engaged into the fight.

They can use those programs and become full-time students. And they can do that while they have a part-time job with us and get an income through their selected reserve participation. This can be viewed as a win-win, particularly, again, because Secretary Gates has established some very clear parameters around the expectation of use.

And all the services are developing these force generation models so that they can be clear with members of the Guard and Reserve about this is when you go, here is when we need you, this is what you can expect in terms of our demands on you for military service.

With those things happening, I think it is reasonable to expect service in the selected reserve while using the educational benefits.

Now, I also want to point out that, you know, anyone who serves 2 continuous years—and there have been some 10,000 or so people—both as volunteers and involuntary mobilization—it doesn't matter how they activated—they earn the same entitlement that the active did, which is because they served 2 continuous years on active service.

And so they have MGIB eligibility and the same portability, the same, you know, everything with that.

Dr. SNYDER. Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman.

As I said in my opening statement, I fully recognize the importance of this as a tool for—I hear a lot from our distinguished witnesses about retention, but I would argue recruitment as well. I am pretty certain you agree with that.

Mr. DOMINGUEZ. Yes, sir. Absolutely.

Mr. MCHUGH. That is why I just wonder if a survey of those who have already been recruited under the old system to determine the

efficacy of the old system is a good way to determine what you are not getting rather than what you have gotten.

I don't know if that makes sense to you, but what I am suggesting is I look at the figures. In the active duty component, 97 percent of active duty members currently enroll in the MGIB. On the reserve side, I don't have that same figure for enrollment, but utilization is about 38 percent.

That would suggest to me there is a whole lot of folks out there that aren't participating. I can't tell you why. I don't know. And I just can't help but wonder how many folks might be helped into recruiting on the reserve side were there some sort of more robust benefit.

I listened very carefully to the chairman's opening comments. He said he is not trying to make them equal but, rather, to try to equalize some of the historical gaps that have grown up over time.

You did mention that, Mr. Secretary, as to bring it up to equity, but I want to be sure, because your statement is a little unclear. Does the Department support bringing the percentages back in line as they were when this program was created in 1985 between the reserve and the active?

Mr. DOMINGUEZ. Applying the same logic the Congress did in denying our ability to bring the TRICARE co-pays to the same level last year that they were established in 1995, which, you know—we do not.

In other words, the force management needs are driven by recruiting and retention, and the money that we are spending on the educational benefit plus the other things we do appears to meet the force management needs of the Department.

So the question of restoring a balance that happened to exist when the program was initiated is a different question that doesn't enter into the force management equation.

Mr. MCHUGH. I would respectfully suggest you can get yourself in trouble talking about the logic of Congress on any level.

Mr. DOMINGUEZ. Yes, sir.

Mr. MCHUGH. But you did list it. I am not sure what your analysis of the logic of Congress in that denial last year was, but I was the chairman of this subcommittee at the time, and I can tell you what my thought process was, and that I totally objected to the Department beginning to find the necessary savings and restructuring of that program that was totally on the backs of the beneficiary.

There wasn't a programmatic efficiency in that whole package. That was my problem.

Mr. DOMINGUEZ. Yes, sir.

Mr. MCHUGH. I don't know if that is the logic you associated with your analysis on restoring equity.

But going back to my original question, I appreciate at least knowing that position.

And, Mr. Chairman, I would tell you, I guess I understand the position of the secretary. This is a force management tool. I don't want to put words and thoughts in your head, Mr. Chairman, but I think for many of us on this side, yes, it is a force management tool, but there is also a challenge of what is the right thing to do by the men and women in the uniform.

And I am not suggesting you don't care about that. But that, I think, is probably the bigger focus that we are going on right now.

But let me go over to Mr. Wilson.

Mr. Wilson, I heard your comments and your concerns. In fact, I believe you used the word "opposing" moving this program into Title 38. You talked about the money issues. Is that your big concern?

Mr. WILSON. That is our big concern right now based on—we don't have a complete picture of what it is going to cost. Based on just a quick understanding of what it looks like it would do, the cost would be substantial.

Mr. MCHUGH. Right. Okay. And that is fair. Let me ask you a quick question here. I am on the yellow light. You mentioned the kickers. Kickers are something right now DOD pays for.

If we were able to structure a program that technically moved it over to 38 but retained responsibility for kickers and other more traditional DOD costs, would that lessen your opposition?

Mr. WILSON. It would.

Mr. MCHUGH. So much that you would absolutely embrace the bill?

Mr. WILSON. No. I cannot say that, no.

Mr. MCHUGH. I tried for you, Mr. Chairman.

Mr. WILSON. It was a good try, though. [Laughter.]

It was a good try, but no.

Mr. MCHUGH. Strike the last part, and he said he would lessen the opposition. Maybe we can—thank you, Mr. Chairman. I yield back.

Dr. SNYDER. And thank you, Mr. McHugh.

And that is an issue that—this is a complicated bill. We understand that. And we appreciate you all's comments. But that is a change that I think we are going to make with regard to the kickers, because I think it satisfies the needs that both of you expressed with regard to that, and it is actually not that difficult to do.

It is probably more complicated to do it the way we have it in the original bill than the way that Mr. McHugh just suggested.

So, Mr. Murphy.

Mr. MURPHY. Thank you, Mr. Chairman. I appreciate it.

Secretary, I used to teach at your alma mater, West Point, and I know that you are an airborne soldier. I am from Fort Bragg, spent some time there, so I appreciate your service.

And, Mr. Wilson, my father was in the Navy, and I appreciate your service of eight years in the Navy.

With the wars in Iraq and Afghanistan, we have certainly asked a great deal from our Guard and Reserves, and they have performed magnificently. I think we can all agree that we owe them a debt of gratitude.

My colleague, Congressman Matheson of Utah, has introduced a bill that deals with a critically important issue that I want to get both of your opinions on.

Many Guardsmen and Reservists across the Nation have served a total of 24 months on active duty in Iraq and Afghanistan. But typically, they serve 24 months over multiple deployments. The current criteria for the Montgomery G.I. Bill eligibility only allows

individuals who serve at least two years of continuous active duty service to qualify for the full active duty benefit.

Congressman Matheson's bill would allow Reservists and Guardsmen who serve a total of 24 months over a 5-year period on active duty to qualify for the full active duty educational benefit.

I personally think this is an excellent piece of legislation. I am proud to co-sponsor it. Would DOD or the V.A. object to such legislation?

Mr. DOMINGUEZ. Sir, if I might, that is an intriguing idea. One of the challenges that we have—and Chairman Snyder actually mentioned this as well—we do need people to volunteer for service, and we need to move away from our reliance on mobilization, involuntary mobilization, as a tool to bring our citizen soldiers into the fight over a long war.

And some innovation, some potential use of these benefits to try and incentivize that kind of behavior, you know, I think those are intriguing concepts. And that is an intriguing concept that you have described. We haven't had time to look at it, but it is certainly worth a dialogue.

I guess I don't know the details, but equity in this case would also suggest that reserve members who meet that criteria would also have the pay reduction so that there would be an equivalent participation with the active who will also volunteer for a pay reduction in order to get the two-year eligibility.

But those are intriguing ideas, as is the kicker that the chairman discussed and Congressman McHugh. These are things, you know, that give us space to work in.

Mr. MURPHY. So you don't object to it per se.

Mr. DOMINGUEZ. I think it is an intriguing concept we should discuss and evaluate and work on.

Mr. MURPHY. Okay.

Mr. Wilson.

Mr. WILSON. The equity of the proposal—I definitely don't want to minimize the importance of that. Having said that, we would have the same concerns as my testimony talked about concerning other issues, concerning the cost of those type of things.

The equity is absolutely important, but without knowing the details—certainly, the devil is in the details of something like that.

Without knowing the details of how that would impact both the active duty and the reserve as well as the costing of that type of proposal, we would be opposed to it until we knew more about it.

Having said that, we would certainly be more than happy to work with the subcommittee to work out the details of that.

Mr. MURPHY. If I got you a copy of that bill and some of the announcements on it, do you think you could give me a written response from each of your departments within a few weeks, say March 30th?

Mr. DOMINGUEZ. I think we will try as diligently as we can, but I can't, you know, promise to turn it—we do work the questions for the record really pretty hard, because we understand the mark-up schedule of this committee.

Mr. MURPHY. You know, again, I was in the military, and eight weeks in this job, and we are a Nation at war. We need to act with a sense of urgency. So I would appreciate it if you can get back to

me a written response whether or not it is an option—your cost-benefit analysis of it.

Mr. DOMINGUEZ. Sure.

Mr. WILSON. Understood.

Mr. MURPHY. Thank you.

Dr. SNYDER. Ms. Shea-Porter.

Ms. SHEA-PORTER. Thank you.

And thank you for being here.

I was a military spouse, and I can remember hearing the expression that nothing is too good for the military. And when I look at this, I sometimes have the feeling that we are missing our men and women in uniform, and what they have given to us.

And specifically, I would like to talk about this because of the National Guard. They have been called upon, just like our other soldiers, to serve in the same dangerous conditions. They have sacrificed and, in some ways, more so, because those who are active duty are employed by the military. The military completely understands them.

If you have the National Guard, and they leave their jobs, they have trouble coming back to it. We know this is true, and that there has been a lot of difficulty in the communities reabsorbing people. In spite of the law, there is still a big misunderstanding about what their role is when they come back.

Also, I see a lot of recruiting information from the National Guard, and they always highlight the education that is available. And indeed, a lot of people have taken advantage of the National Guard because it is that boost up.

So now we are looking at these soldiers who have gone and done their duty beautifully, often under more difficult circumstances in their community in their return, and then we change the—we make it so they don't get exactly the same benefit, the same amount of time that others have.

And there is just something fundamentally unfair about this.

I am also very concerned that it is in the DOD instead of the V.A. As a former social worker, I look at all these programs, and I have to tell you, I am pretty good, but it is hard to find, you know, exactly the connections.

And I am very certain that the National Guardsmen who are looking at this are having some trouble also figuring out where to go and how to collect what is due them.

So I guess my only question here is if we have these soldiers, and they are serving—and you talked about the recruitment and the retaining, and I understand that.

But how can we look at these troops, who have given so much, and tell them that their experience was different and therefore their benefits are going to be different?

Mr. DOMINGUEZ. Ma'am, if I could take a shot at answering that, REAP is a very, very good program. It was designed and enacted by this Congress to deal specifically with that issue.

The MGIB for the active requires two years of continuous service before you get, you know, item number one in terms of the benefit. And that applies as well to the, you know, Guardsmen and Reservists. As I said, if they serve two years continuous on active service, then they are entitled to that program as well.

Now, if they served a proportion of that, let's say one year, all right? That is half of the basic active duty service commitment. Under REAP, they are entitled to 60 percent of the 3-year rates that the active is entitled to.

So in terms of proportionality, REAP has tried to address the issue you have raised by structuring a tiered program—90 days of service, 1 year of service, 2 years of service—in a way that applies a proportionality relative to the 2-year minimum service obligation that the actives have under the MGIB.

And so you actually are better off in REAP in terms of the months that you have served toward that two-year obligation. You get a richer benefit proportionally.

Ms. SHEA-PORTER. But in order to utilize those benefits, you need to be still involved. And with these multiple deployments, they are not able to take advantage of them.

You cannot be studying and also be fighting for our country. So I am concerned that they lose those benefits.

Mr. DOMINGUEZ. Well, ma'am, one of the things that I would myself suggest that we look at is the delimiting date, you know, the 14 years in, it expires. And that is something that I think we clearly need to think about chucking over the side.

But the multiple deployments, 12 percent so far—now, that number is going to change, but only 12 percent of the members of the reserve component have deployed more than once. And only 47 percent of them have been mobilized at all at this current——

Ms. SHEA-PORTER. I just want to say, talking about percentages does not negate the impact on the individual soldier. And I think each individual going in there is not particularly concerned about whether this will apply to 12 percent or 80 percent. They are interested in how this applies to them.

Mr. DOMINGUEZ. Yes, ma'am, and again, I want to say that the Secretary in his first major policy pronouncement of his tenure chose to speak on the utilization of the Guard and Reserve and set clear, unambiguous policy parameters around that, to set clearly the expectation of service, and to clearly put the military services on a path to planned, predictable use of Guardsmen and Reservists so that they can take advantage of these benefits, because you are correct, as the chairman was.

You know, you can't do this while you are fighting in combat, and you don't have, you know, Internet access and the luxury of time and all that kind of thing.

Ms. SHEA-PORTER. Thank you.

And my final comment about it is that I have been talking to National Guard and I know that they are having difficulty with their recruitment. And I think that we need to look at everything and figure out why. And I am pretty sure that——

Mr. DOMINGUEZ. Yes, ma'am.

Ms. SHEA-PORTER [continuing]. This may not be the number-one issue, but it certainly has to factor in.

Mr. DOMINGUEZ. Yes, ma'am. This is an important recruiting tool, absolutely, and particularly for young people. They value it a great deal. And there is no doubt in my mind that an increase in this benefit would benefit recruiting. It is unclear how much.

I do want to say that Lieutenant General Blum and adjutants general have just done a superb job in turning around the recruiting in the National Guard. They are hitting their numbers, and they are doing it with quality young men and women that we are all proud of.

And so I want to compliment him for that achievement.

Ms. SHEA-PORTER. Thank you.

Thank you, Mr. Chairman.

Dr. SNYDER. Thank you.

We will start our second round here, if we could.

You know, you have talked about retention. We have talked about recruitment. Clearly, to me, it seems what our bill is heading for and what the Congress, which I think as a whole, is heading for is something that would help your recruitment. I think my bill would help recruitment, and we can debate about the retention issue.

I think clearly, in Mr. Wilson's words, our approach would help readjustment for people coming out of the reserve component. I have mentioned it before, but I have two employees who are Iraq war veterans, both reserve component. One stayed in the Reserves. One is not.

The one who is not inquired the other day about why don't I get an educational benefit. He would like to go to graduate school. Well, because the way the law is written. So this issue of readjustment that Mr. Wilson talked about I think is very real.

And then the issue that I think you acknowledged, Mr. Secretary, this idea of volunteering for mobilization, it may well be that our bill would help.

But the fifth criteria is the one that I wanted to get your response to, maybe from both of you, but particularly, Mr. Dominguez. This involves your side. And it is one that we mentioned before, and Ms. Shea-Porter mentioned.

It is this issue of fairness. You know, when you are talking about people who are in the reserve component, who may be taking advantage of their program, and they are in school, and they get their mobilization, and they leave the school.

My guess is that, you know, Secretary Rumsfeld and Secretary Gates, I don't expect them to sit down and see what the end of terms and the beginning of the next terms are to do their mobilization order. Of course they don't do that.

And so they get pulled out of school, a lot of them. That has occurred. Their education is disrupted. They have that time in mobilization. They lose their benefit during that time, practically, because they are overseas.

And I need a response specifically—I understand your discussions of retention, and you think it is a force management tool. Mr. McHugh brought this issue up, too. How is this fair?

How is it fair now that people are being mobilized for 18 months and 22 months, and being kept longer, and they come back, and their enlistment is winding down, and they decide not to re-enlist, they get no educational benefit? How is that fair?

Mr. DOMINGUEZ. Sir, I think we partially addressed this concern in the legislative proposal that I referenced in my opening comments with REAP and the change that we suggested where a mem-

ber could move into the individual ready reserve, so that is out of the selected reserve. You are not a drilling reservist.

You know, we want to encourage you to remain a drilling reservist in the selected reserve, but you can move into the IRR and continue—let me back up. That allows you to retain eligibility, but the legislative proposal that we turned in wouldn't allow you to begin using it until you were a drilling reserve, again trying to keep the retention benefit of it.

Dr. SNYDER. We will be glad to take a look at your proposal.

Mr. DOMINGUEZ. Yes, sir.

Dr. SNYDER. But I don't think it gets at the basic issue of fairness as I described it.

Mr. DOMINGUEZ. Right.

Dr. SNYDER. And I think that is why there is just unanimous agreement, I think, among the veterans service organizations that our approach is the right one. It is just not fair. And you all are just, I think, struggling to make a case that it is fair, and I don't think you can do it. I would not want to try to make that defense.

I want to get to this issue, Mr. Wilson, that neither one of you talked about in your opening statements, either written or oral.

What is the current status of the relationship, which I think may be informal or some kind of formal relationship, between DOD and V.A. that came about in the 1992, 1993 framework in which the V.A. is paying some benefit based on some kind of agreement. I understand there is disagreement between the V.A. and the DOD about whether there is statutory authorization to do what you are doing.

What is the status of that? Would you describe it for the committee? How many people are currently taking advantage of it? Is there a disagreement? I would like to hear from both of you on that.

Mr. WILSON. I would be happy to address that. The short answer is there is no current disagreement, and I will go into a little bit more background on that.

The current method in which we pay this benefit is based on public law that was enacted immediately following the first Gulf War. I believe 1993 was when the statute went into place.

There wasn't an agreement as one would think of in terms of administering this. We followed the standard procedures and implemented regulations upon which DOD agreed to administer payment of this benefit.

And what this statute allowed was that for a Guard Reservist who was called up for contingency operations and was eligible for 1606 benefits, their delimiting date would be extended for the amount of time that they were activated plus four months.

And the way this was implemented under the regulations was—and our understanding of the intent of the legislation was, that this delimiting date would be extended irregardless of the drilling status of the individual.

So you would have situations at that time—very, very few, but you would have situations where individuals would have a length of time normally equal to about 16 months—if they are activated for a year, the 12 months plus the 4 months—immediately follow-

ing separation from the Guard Reserve in which they could use 1606 benefits.

It did not create portability as the term is being used around town now. What it did do was allow an immediate short-term window in which individuals could use their 1606 benefits following their severing their relationship with the Guard Reserve.

We have paid about 3,500 claims under this, obviously, the majority of them in the last several years after 9/11. We have been paying the benefit for 15 years or so.

The discussions that were occurring between DOD and V.A. attorneys were among a group of people who did not have institutional knowledge of what existed and why it existed going back to 1992. So those discussions went on for a length of time.

But there is agreement now between DOD and V.A. that the method in which we have been administering this program since the early 1990's is the correct method. And there is no disagreement on that.

Dr. SNYDER. Do you have any comment, Mr. Dominguez?

Mr. DOMINGUEZ. No, sir.

Dr. SNYDER. Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman.

I wasn't here in 1985, so whatever good happened I can't claim and whatever bad happened I can't be held too responsible for. But maybe you can help me understand.

Explain the congressional logic, if you will, Mr. Secretary—what is the rationale behind the $1,200 payment to participate in MGIB?

Mr. DOMINGUEZ. The reduction in salary, or the reduction in pay to participate. I also may have been here in 1985, but I wasn't engaged in this area of policy, so I actually don't have the institutional knowledge on the rationale.

Mr. MCHUGH. Okay. You haven't heard recently? Nobody said boy, that $1,200 is good because——

Mr. DOMINGUEZ. No, sir. I don't recall. I would take that for the record. I would get you that.

[The information referred to can be found in the Appendix beginning on page 95.]

Mr. MCHUGH. Okay. I wish you would.

Mr. DOMINGUEZ. Yes, sir.

Mr. MCHUGH. So I suspect you can't officially respond to a question that I might ask you—what would DOD's response be to a proposal to end the $1,200—I call it a payment. You call it a reduction in pay.

Mr. DOMINGUEZ. Right.

Mr. MCHUGH. Potato, potato.

Mr. DOMINGUEZ. Yes. I think we would have to study that, Congressman. You know, clearly, there is a fiscal consequence to the Department, as you are completely aware of, because of the work you do here in the authorization——

Mr. MCHUGH. Well, I understand the money. I mean, you know, if you could self-fund the whole program, that would be wonderful, I guess, from a budgetary perspective, for the Department.

But I would like to think—and maybe I am being a little bit too Pollyannaish here, but I would like to think there was some kind

of programmatic reason for it other than a budgetary one. I may be totally off base here.

Mr. DOMINGUEZ. Sir, I think, you know——

Mr. MCHUGH. If so, if I may, just so you can—and if so, that was in 1985? If it was a budgetary issue, should we update that, too? Maybe it ought to be $2,400.

Mr. DOMINGUEZ. No, sir. We are not——

Mr. MCHUGH. I am not proposing that. I am proposing——

Mr. DOMINGUEZ. No, nor am I.

Mr. MCHUGH [continuing]. We consider going the other way. But I mean, you know, we talked about——

Mr. DOMINGUEZ. Right. You know, I think, as I was reflecting on this—you know, this came out and replaced the Voluntary Education Program (VEP). And the VEP was a program where you had to put cash in and the government would match it.

But basically, it was a statement that says look, we are doing this for people who value education, and who want to put some skin in the game. And so I believe that is where that came from.

It is very similar to the VEP benefit, where you had to put the skin in the game in order for the government to put any in. So I think that is where that came from.

You know, there is every force management reason not to increase that $1,200 pay reduction.

Mr. MCHUGH. Well, is there a force management reason to decrease it?

Mr. DOMINGUEZ. Again, you know, in terms of surveys of the force, you know, "what are you concerned about, what bothers you, what can we do better for you?" This is not a high one on the list when we go out and connect with people. There may be a reason, sir, and there may be a benefit.

Mr. MCHUGH. Okay. Speaking of skin in the game, right now an active force member participating in MGIB can self-fund their kickers. It doesn't have to be a departmental enriched kicker, paid-for kicker. They can put their own money in. But reservists cannot.

Would the Department have objections to allowing reservists to self-fund their own kickers, to put skin in the game, using more skin in the game?

Mr. DOMINGUEZ. Offhand, I can't think of a compelling reason why we wouldn't want to encourage our men and women——

Mr. MCHUGH. Do you want to take——

Mr. DOMINGUEZ [continuing]. You know, to invest——

Mr. MCHUGH [continuing]. A look at that, too, though?

Mr. DOMINGUEZ [continuing]. In their educations.

Mr. MCHUGH. I don't want to——

Mr. DOMINGUEZ. Yes, sir. I think we should. That is also an intriguing concept.

Mr. MCHUGH. Okay. Thank you.

I heard Mr. Wilson say that the V.A. had not yet costed out these proposals. Has the Department had an opportunity to do that? You may have said that.

Mr. DOMINGUEZ. Not the legislation that has been introduced, no, sir.

Mr. MCHUGH. Are you intending to do that? I know the chairman has asked for a Congressional Budget Office (CBO) analysis, but—or would you rely on CBO?

Mr. DOMINGUEZ. Well, sir, I think we will provide the committee whatever help that you require on this, and if you would like our assistance, we would be happy to offer it.

Mr. MCHUGH. I think the chairman would like your support. If that helps you support the bill, then by all means. If not, then, you know, go find something else to do, probably. But all right. Thank you.

I appreciate it, Mr. Chairman.

Dr. SNYDER. Mr. Murphy.

Mr. MURPHY. Thank you, Mr. Chairman.

Kind of going along what Congressman McHugh was—back in 1994, Fort Knox, Kentucky, asked if I wanted to sign up for the G.I. bill. I had five days to sign up or not at that point.

Many of my fellow soldiers were hesitant to spend the $1,200 out of their meager salary, and my colleague on this subcommittee, Ms. Davis, has introduced a bill to help alleviate some of the cost to the soldiers who are not, in my opinion, paid nearly enough to serve in our military.

I am also proud to co-sponsor that bill, because I saw with my own eyes how much of a deterrent this $1,200 to get skin in the game was to people to get the benefits of the G.I. bill.

In my opinion, we should be encouraging soldiers to enroll in this great program and not the other way around.

So my question is why are we forcing the recruits to pay the money up front and out of pocket to participate in this program. Has the DOD thought of any alternatives that would not discourage soldiers from enrolling in this program?

And you know, I am assuming that you are intrigued by Ms. Davis's bill, and I would ask for a written response as well within 30 days, if you could both look at it. Do you have any objections to giving a response to Ms. Davis's bill and doing a cost-benefit analysis of that?

Mr. DOMINGUEZ. Well, I don't know how much detailed cost-benefit analysis—but we can look at it and give you a response in 30 days, absolutely, Congressman.

Mr. MURPHY. Okay. Thank you.

Mr. DOMINGUEZ. I do want to point out, though—I guess it was Congressman McHugh who mentioned on the active duty side now, the take rate of people participating in the G.I. bill is really quite extraordinary and rewarding. It could be better, but it does not appear to be the deterrent it was, and that may be the result of the Congress' support of the salary increases over the last decade.

Mr. MURPHY. Well, I have got another thing that I am hopeful you will be intrigued about as well. My brother is a captain in the Air Force Reserve, my brother J.J. And he had entered the service after he already had his college degree and his master's degree.

And he had to take out thousands of dollars in student loans to pay for both these degrees. It is my understanding under the current policy my brother would be able to use G.I. benefit to also obtain an additional degree, but the military will not assist him in

paying down his educational debts that he incurred prior to his service.

It seems to me that we ought to be encouraging the best and the brightest and the most highly trained and educated people to join our military, so how about doing it retroactively—you know, applying the G.I. benefit bills to student loans already incurred, to encourage the best and brightest to serve our country? Has that been looked at?

Mr. WILSON. We administer one very small program, National Call to Service Program, which does have provisions to pay back a limited amount of debt in exchange for a normal enlistment time into the military.

I can give you details. I can provide details in writing on that program. It is one of our smaller programs, but there is something in place that does address that issue, to a degree.

Mr. MURPHY. Is that just for the enlisted or is it for officers as well?

Mr. WILSON. I would have to look at the specifics. I can't answer that. But I will find out.

Mr. MURPHY. I know you said small, Mr. Wilson. How small? Do you know that?

Mr. WILSON. I will verify this, but I want to say it is up to $5,000 in student loans that we can repay.

Mr. DOMINGUEZ. Sir, I will have to check in the DOD, but I believe we have an educational loan repayment program for—again, it is for members of the selected reserve who commit to continued service in the selected reserve. And I believe we will pay loans back.

I don't know the details and how much, you know, and who is eligible and things, but we certainly can look at that for you.

Mr. MURPHY. As well as the idea about, generally speaking, retroactively paying this?

Mr. DOMINGUEZ. Again, I think in the details—I will look at those, but if you show up, and you have an educational loan, and you want to sign up in the selected reserve, I believe we can pay the loan so long as you agree to, you know, drilling status with that unit. I will check the details for you, sir.

Mr. MURPHY. Thank you.

Thanks, Mr. Chairman. I appreciate it.

Dr. SNYDER. Mr. Murphy, I want to assure you that everything you say is intriguing.

Was Mr. Dominguez one of your students at West Point? I guess not.

Mr. MURPHY. No.

Dr. SNYDER. I thought I would ask.

Let's see. Mr. Wilson wants to wait a minute before we recognize him, so we will go another round here.

Mr. Dominguez, you agree with Mr. Wilson's description, which is consistent with what I have heard, too, about the current working relationship between the DOD and the V.A.

Now, I didn't hear you express concerns about retention, though, because we have that benefit that extends after getting out of the service.

Mr. DOMINGUEZ. Yes, sir.

Dr. SNYDER. Do I detect an inconsistency in your argument there? You are not advocating we get rid of that working relationship there so that it would help retention, are you?

Mr. DOMINGUEZ. That provision has been in place, as Mr. Wilson has said, since the gulf war. And even with that provision, retention in the selected reserve is at all-time highs, even while that reserve force is engaged in combat.

Dr. SNYDER. My point is it is hard to do this kind of analysis and say retention rates are good because of specific provisions like this. I agreed about the 14-year clock. It doesn't make sense to me.

I guess people are thinking in terms of tenure, portability, and 14-year clocks and so on at the time that these programs are written, which is—there is kind of this sense of, "Gee, we have got to get people in there and get their education so they can help themselves."

It is kind of like you have got to get moving. And now we recognize that it is not uncommon at all for people in their late 40's and 50's to have to go back or choose—not have to, but want to go back for additional upgrades in education.

So I think we could make an argument none of those kinds of things make much sense, recognizing there is a dollar cost to those.

In terms of the problem that we have here—because, Mr. Dominguez, as I indicated earlier, you really described the problems well, I think, some of the problems that we have with our current system.

You specifically mentioned the increasing costs of higher education and how the benefit has not kept up with that. You talk about the $13 billion shortfall just to get the reserve component benefit up to the same relationship as it was.

And one of the problems that we had was not just the resistance of DOD several years ago when we did that. It is our committee structure because of these different sections of the code.

And if we can fix the kicker problem, and not have DOD paying for bills that—you know, they don't have much input over the Veterans' Affairs Committee. Would you have a problem with us doing this statutory change to get it under the same committee so that we don't leave our reserve component high and dry any time we deal with these benefits? Do you get my drift?

Mr. DOMINGUEZ. Yes, sir.

Dr. SNYDER. I am isolating out that one issue, because I recognize that these others have costs to them and all, but this one issue—it just seems inherently unfair what we did several years ago, but we did it because that was all we could get done——

Mr. DOMINGUEZ. Yes, sir.

Dr. SNYDER [continuing]. Because of DOD resistance.

Mr. DOMINGUEZ. I think one question we have to ask ourselves is whether when the Congress enacted the—and I don't know the answer to this—when it enacted these provisions back in 1985, whether they established that the MGIB–SR would be 47 percent of the active, or that was deduced afterwards by virtue of the rate that the Congress enacted.

Dr. SNYDER. No, we are the Congress now, Mr. Dominguez.

Mr. DOMINGUEZ. Sir?

Dr. SNYDER. We are the Congress now.

Mr. DOMINGUEZ. Yes, indeed, you are, sir. So again, my point is I am not driven by the fact that there was a relationship between the two of them. I think about it more much in terms of how much is enough to inspire people to join us and for them to say, "Yeah, that is a good deal. I will take it."

Now, to your question, we really do need to stay in charge, and this committee and the DOD have dialogue about the kickers—that this is where that dialogue needs to happen.

Dr. SNYDER. And I think that is something we can work on.

Mr. DOMINGUEZ. Yes, sir. Right now, the reserve benefits are not transition benefits. By making them transition benefits and entitlements, we are going to create some mandatory spending. So that is a thing we have to think about and work through.

Dr. SNYDER. We need to see the CBO score on that specific component of it.

Mr. DOMINGUEZ. Yes, sir. And the next thing that we need to think about is will it cost us more to have the same reserve force, you know, that we have now under that proposal. And there may be important reasons that make that okay.

Dr. SNYDER. Recruitment, readjustment, fairness.

Mr. DOMINGUEZ. Yes, sir.

Dr. SNYDER. Mr. McHugh.

Mr. MCHUGH. Thank you, Mr. Chairman.

Mr. Secretary, in your testimony, you mention about the initiative under way with respect to a total force G.I. bill.

Mr. DOMINGUEZ. Yes, sir.

Mr. MCHUGH. And you spoke about the working group came and, as I read your testimony, had a set of proposals that, again, as I interpret your testimony, sounded as though, in your view, they cost a little bit too much, and the committee was redirected to come back with a cost neutral alternative, which I assume they are working on.

So number one, could you talk to the components of the original proposal that you felt were too costly? And number two, when would you expect the second iteration of the joint task force work to be completed?

Mr. DOMINGUEZ. I will introduce it, but I think actually Keith is much more knowledgeable about this.

Mr. MCHUGH. Okay, whomever feels——

Mr. DOMINGUEZ. But this working group was working on this exact issue that the chairman has challenged us with, which is how do you create a transition benefit to deal with this equity issue, but without taking away one of the important tools we have for retention in the selected reserve.

And so they were working that, came up with some ideas on that, but the—when it was presented to the Joint Executive Council, the cost consequences of that were not neutral, and so they were sent back to the drawing board.

I think I have captured that right, Keith, and if you want to——

Mr. MCHUGH. Before Mr. Wilson adds his comments, do you know what—they weren't neutral, but do you know what the costs were?

Mr. DOMINGUEZ. I think, again, Keith is the expert here on that.

Mr. MCHUGH. Okay.

Mr. WILSON. I don't have the exact costs. I can give you a little bit starting from the very beginning.

The original proposal for a total force came from the Veterans Advisory Committee on Education, who is a standing chartered committee that provides assistance to the Secretary on how we can best meet the needs of veterans and service members education-wise.

The total force proposal as it was submitted to us involved structural changes, bringing everything required for the programs into Title 38. It called for three tiers of benefit based on the amount of active service an individual would have, irregardless of Reserve, Guard, or active duty.

But it also addressed issues that weren't necessarily germane to a total force structure. For example, the recommendation was to bring the equivalent, under the new program—of the 1606 program to a higher percentage than currently exists for what would be the current Chapter 30 program.

So there was built into the proposal—there was automatic cost increases separate from the structure itself. So when the working group took the proposal as a whole, it took the entire proposal at face value and moved forward.

The working group liked some of the ideas that were in the proposal, and I will use the word intriguing. They were intrigued about some of the ideas in the proposal. But there was concern about that costing mechanism specifically.

In addition, the total force proposal as it was presented was silent on some very key issues. For example, it did not address how the current $1,200 pay reduction would be handled under a program that integrates all three of the current programs, which, as you are aware, active duty individuals do have the pay reduction. The current Guard Reserve do not.

So there were some sticky issues, and they are continuing to work on how all of those ideas would end up costing out.

Mr. MCHUGH. As I understand, they have been looking at this since, what, 1995? Is that right?

Mr. WILSON. No. They have been working since 2005.

Mr. MCHUGH. 2005.

Mr. WILSON. Roughly 1.5 years, I believe.

Mr. MCHUGH. Yes, I lost a decade there. I wish I could. 2005.

But do you have or do they have a time frame on them as to when they are expected generally to come back with the next proposal?

Mr. WILSON. At this point, we are still working on a time frame to get the requested information back to the JEC, the Joint Executive Council.

The costing issues, as well as getting a better understanding of what their alternative proposals would do to the core issue of recruitment and retention, is the issue that the group is grappling with right now.

I can find out the exact current status or whether we have a time frame. My understanding is we do not.

Mr. MCHUGH. Well, the reason, Mr. Chairman—obviously, it would be of some interest if it could dovetail into what you and others are trying to do.

I see the red light is on, so, again, gentlemen, thank you for being here. And thank you for your service to our men and women in uniform, active, Guard, retired, Reserve—deeply appreciate that.

Thank you, Mr. Chairman.

Dr. SNYDER. Mr. Joe Wilson.

Mr. WILSON OF SOUTH CAROLINA. Thank you, Mr. Chairman. In lieu, really, of questions, I just want to thank the chairman, also the ranking member, for this hearing and, in particular, the call for greater parity in compensation and benefit programs between reservists and active duty personnel.

I am very pleased that the unit that I was a member of, the 218 Mechanized Infantry Brigade, is currently in training at Camp Shelby and Fort Riley for deployment to Afghanistan. And I have identified with our Guard members who have served overseas in the past five years, and how proud I am of their service.

But particularly with my now former unit going, I know that the difference between Guard members, Reservists and active duty has become so blurred that, indeed, I feel like the benefits should be equally similar in terms of service.

And thank you very much for your service. And again, I appreciate the efforts being expressed here today.

Dr. SNYDER. Thank you, Mr. Wilson.

I think we are about winding down here, Mr. Secretary. One specific question, Mr. Dominguez. Help me get my facts straight. We have talked about the person who activated for 24 consecutive months and then getting the benefit they do.

Am I correct, they do have to pay the $1,200?

Mr. DOMINGUEZ. Yes.

Dr. SNYDER. They do.

Mr. DOMINGUEZ. Yes.

Dr. SNYDER. And if you do your calculation, is your calculation the $860 a month benefit in which you call it a richer benefit—does that take into consideration the $1,200 that they then have to pay at that time?

Mr. DOMINGUEZ. Yes. Yes. When you compare the REAP benefit, is that where you——

Dr. SNYDER. Right. I just want to make sure——

Mr. DOMINGUEZ. Yes, you have to take that in consideration.

Dr. SNYDER. And it get back to Ms. Shea-Porter's question, of course, which is the difference being that they have to stay in——

Mr. DOMINGUEZ. In the selected reserve.

Dr. SNYDER [continuing]. The service subject to mobilization and drill and everything else.

Mr. DOMINGUEZ. Right.

Dr. SNYDER. You know, we have talked about the fairness, and I don't know if you and I disagree on that or not, but it just seems to me incredibly unfair.

And I think what drives this sense of unfairness that a lot of us have now is I don't think most people re-enlist for the educational benefit or gee, they have got—you know, they really love their friends down there once a month they go down and drill with.

I think they are re-enlisting in a time of war because they are military men and women, and they love their country, and they just think it is important.

And we have had testimony at that table from the highest ranking civilian and uniformed people in our country who talk about the incredibly high retention rates, surprisingly high retention rates, that occur while people are on duty overseas.

So I think we can overplay our statements about the impact of an educational program on retention. I think it gets back to this—in my view, this sense of fairness.

I also think we talk about their readjustment, in Mr. Wilson's words, the readjustment component. And that has to do with individuals.

But as I am sure you know, I mean, a lot of people feel that the G.I. bill in the post-World War II era is what built the American middle class and made us what we are today.

And in fact, Senator Webb has filed a bill that I suspect is exorbitantly expensive, but it takes a back to what the bill was, which is if you get into a college, you all—we all as taxpayers will pay the tuition of that college.

If it is Pulaski Technical College in Little Rock, we will pay that tuition. If it is Yale or Harvard, we will pay that tuition, plus a stipend, which gets back to not just the readjustment for that individual, but the tremendous impact that men and women coming out of uniform into American society—the tremendous impact, positive impact—armed with the educational tools they think they need, at the place they think they need to go to—the impact that they can have on our society at large and have for decades, coming out of World War II.

One final question. Mr. Wilson, do you have a sense yet, knowing our process and our year moves along fairly rapidly—do you have a sense of the general outline of what the V.A.-DOD working group's findings are going to be that you might share with us today?

Mr. WILSON. I can provide a very limited thumbnail sketch. The costing I cannot address at all, obviously.

Dr. SNYDER. I understand. Okay.

Mr. WILSON. There is general agreement that there are components of the separate programs that can be combined into an integrated program that would provide a better degree of what we are all calling here equity. And it can be done in a manner that would make the program easier to use for the participants.

And I believe, as somebody responsible for Administration of the program, equity and complexity of the program are almost two sides of the same coin.

It can be a confusing world for our program participants, and the advantages of eliminating some of the equity issues by making the programs easier to understand and easier for the people to use is something that the working group, I believe, believes we can capitalize on.

The working group likes the idea as well of a three-tier-type approach in terms of, again, equity, recognizing and providing a benefit commensurate to the amount of service that an individual has provided. I don't believe there is any disagreement on that issue as well.

There continues to be issues concerning the impact on recruitment and retention and the costing figures. A particular issue is

addressing things like the current $1,200 pay reduction and how that would be handled under an integrated program.

So the fundamental approach of the proposal, in terms of a tiered structure that offers benefits commensurate to amount of service the working group, is in agreement.

Again, as I mentioned earlier, the devil is in the details. And those are the things that they are working through.

Dr. SNYDER. Mr. McHugh, anything further?

Mr. Wilson, anything further?

We appreciate you all being here.

And I encourage you, if you have thoughts or are working with people that have thoughts about this specific bill or other aspects of these bills, to let us know, because I think there is a lot of interest in both the House and the Senate in addressing this issue as expeditiously as we can, because we think we have got some challenges out there that are terribly unfair to a lot of men and women in the United States today.

The hearing is adjourned.

[Whereupon, at 3:45 p.m., the subcommittee was adjourned.]

A P P E N D I X

February 28, 2007

PREPARED STATEMENTS SUBMITTED FOR THE RECORD

FEBRUARY 28, 2007

Opening Remarks – Congressman McHugh
Military Personnel Subcommittee Hearing
Impact of Changes to the Montgomery GI Bill
for the Selected Reserve
February 28, 2007

I begin by commending the Chairman for his perseverance in improving the education programs available to members of our reserve components. I share Dr. Snyder's view that the reality of serving in the Reserves or National Guard today is completely different than in 1985 when Congress established an educational assistance program for members of the Selected Reserves. There is no group more deserving of a robust G.I. Bill than the members of the reserves who equally share the burden and sacrifice of defending this nation.

This hearing continues the process that we began during the 109th Congress to gather information, overcome the challenges usually

associated with modernizing benefits and work toward developing an education assistance program deserving of today's brave reserve warriors.

Clearly there are several well thought out recommendations proposed for fundamentally changing the Montgomery GI Bill for the Selected Reserve. Both Dr. Snyder and Rep. Bartlett on this committee have introduced separate reform legislation. These and other proposals deserve our careful consideration to ensure that whatever emerges this session in the form of subcommittee recommendations not only enhances the benefit for reserve component members in way that is affordable and sustainable, but also contributes to the recruiting and retention of the all-volunteer military.

I look forward to hearing from our two witnesses this afternoon and I thank the Chairman again for holding this hearing.

NOT FOR PUBLICATION UNTIL
RELEASED BY THE COMMITTEE

Prepared Statement of
The Honorable Michael Dominguez
Principal Deputy Under Secretary of Defense
Personnel and Readiness

Before the
House Armed Services Military Personnel
Subcommittee

2:00 PM
February 28, 2007

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

INTRODUCTION

Chairman Snyder and subcommittee members, thank you for the opportunity to testify about the educational assistance programs that have been so effective in helping the Department achieve its force management objectives while providing our service members with a valuable benefit that helps them achieve their educational goals. Today, we are here to discuss changes to the two Reserve educational assistance programs—the Montgomery GI Bill for the Selected Reserve (MGIB-SR) and the Reserve Educational Assistance Program (REAP). These two programs were designed as incentives to encourage members to remain in the Selected Reserve. Today, we will discuss, among other issues, whether the reserve educational assistance programs also should provide a post-service education benefit. I would first like to briefly describe the Selected Reserve force today, how the two reserve educational programs—as they exist today—–help us maintain that force, and then describe various changes to these programs we would like to make.

MONTGOMERY GI BILL FOR THE SELECTED RESERVE

Just under 50 percent of members serving in the Selected Reserve are today 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, can transfer to the Individual Ready Reserve at any time. Thus, incentives are an important tool in manning reserve units. To illustrate, the typical Infantry Brigade Combat Team (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. This is the target population we need to man our 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 Montgomery GI Bill for the Selected Reserve (MGIB-SR) 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. Of the 326,000 Selected Reserve members who made that commitment and are currently eligible for MGIB-SR benefits, 182,000 (56%) are within their six-year service obligation.

RESERVE EDUCATIONAL ASSISTANCE PROGRAM

The new Reserve Educational Assistance Program (REAP) was developed to reward Guard and Reserve members who are being asked to serve more frequently and for longer periods. It was designed to provide a richer educational benefit to Guard and Reserve members who serve in support of a contingency operation. A member who serves as few as 90 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 called to active duty. The benefit level increases to as much as $860 per month if the member serves for two years. This is actually a richer benefit than the active duty MGIB benefit for two years of active duty service. This is because the reserve member does not have a payroll deduction to become eligibility for the REAP benefit.

Our most recent survey data show that 81 percent of reservists were full-time employees when they were activated. Twenty-eight percent reported that they did not return to the same employer, while eight percent were not in the work force at the time they were activated. The survey data also show that 26 percent of reservists were enrolled in a civilian education program at the time of their most recent activation with approximately two thirds enrolled as full-time students.

Attrition in FY 2006 was at its lowest since 1991. Those who have been mobilized and deployed remain with us at the same rate as those who have not been mobilized, although attrition among reservists who have been mobilized and not deployed is slightly higher. It is reenlistment bonuses and the Reserve educational assistance programs that are helping us retain members in the Selected Reserve.

MONTGOMERY GI BILL FOR ACTIVE DUTY

Guard and Reserve members who have served in support of the Global War on Terror can also qualify for MGIB benefits. We have 7,300 Ready Reserve members who have gained MGIB eligibility and made the required $1,200 pay reduction as a result of their Global War on Terror service. These reservists have the option of receiving monthly benefit payments at the "two year" rate ($873) based on their active duty service with no further service commitment (unless they had already incurred a Selected Reserve service obligation), or they may agree to remain in the Selected Reserve for four years and receive monthly benefit payments at the "three year" rate ($1,075). Additionally, 1,700 Reserve component members who already held eligibility for MGIB benefits have opted to increase their benefit level by making the required $600 pay reduction in order to receive an additional $5,400 in benefit payments.

A TOTAL FORCE GI BILL

Last year, this Committee heard testimony urging the Congress to consolidate the three separate educational assistance programs into a "Total Force GI Bill." In fact, legislation has already been introduced that would place the two reserve programs in title 38 along with making some modifications to each program. The Department strongly supports changes to the reserve educational assistance programs that help sustain the Reserve components and the All-Volunteer Force. But we adversely affect retention by offering a post-service benefit that is more attractive than the benefit available to those who remain in the force. We need to find a way to balance force management objectives while wisely using limited appropriations so we get the greatest return on tax-payer dollars.

Certainly almost any program can be improved and we share your interest in ensuring that the educational assistance programs provide a robust benefit for the users, while giving the Department of Defense the tools it needs to meet force management objectives. There are a number of variations on a "Total Force" GI Bill. But all of these proposals appear to have two common characteristics. First, the reserve education programs would be recodified in title 38 of the U.S. Code; placing them under the purview of the Secretary of Veterans Affairs. Second, the REAP program would provide a post-service benefit for Selected Reserve members.

The original 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 distinct purposes for which they were designed, it may be difficult to truly have one program. The calls for a single program simply view military service as the pathway to an education benefit, not a program to retain members. All the proposals we have reviewed to

date do not integrate the three programs; they simply remain three separate and distinct stand-alone programs that would be codified (and modified) in title 38.

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 32 MGIB rates.

The first proposal to establish a total force GI bill was submitted to Secretary Nicholson by the Veterans Advisory Committee on Education (VACOE). Secretary Nicholson and Dr. Chu established a DVA/DoD working group to assess feasibility of that proposal. The working group has a number of concerns with the VACOE proposal so they developed an alternative proposal, which they presented to the Joint Executive Council. We have learned from the efforts of the working group that small changes in current education programs can translate to significant costs to the government. Therefore, at the last meeting of the Joint Executive Council, the working group was directed to more closely examine the recruiting and retention effects of the various attributes of a single program and to develop a cost-neutral alternative. For that reason, the working group report has not been officially released. But I would like to state that there are some intriguing ideas developed by the working group.

Mr. Chairman, the Bill you introduced and a similar Bill introduced in the Senate would place all three educational assistance programs under the Department of Veterans Affairs. Whether a member has a better benefit under the current REAP design or the design in your Bill depends on the number of months a member was activated and the number of months the

reservist needs financial assistance. Regardless of design of the benefit, the most important issue is that the members fully understand the benefit and the eligibility criteria.

PORTABILITY AND THE RESERVE PROGRAM BENEFIT RATES.

We are in a different time and the force is different than it was during World War II and Viet Nam. Today we have an All-Volunteer Force. People have made a choice to serve in the Guard or Reserve. As "citizen-soldiers," they serve part-time. As previously noted, eighty percent of reservists were employed full-time when activated and twenty-six percent were enrolled in school. Reintegration and readjustment are important to citizen-soldiers, particularly to those reservists who were not in the workforce when mobilized or change jobs. They have the opportunity to use their education benefits while still enjoying the benefits of continued service. But, as the data show, most reservists are not beginning a new career when they are released from active duty, unlike their active duty counterparts. Our concern with providing portability is the loss of a tool that helps us retain our combat veterans. We need an incentive that encourages them to stay, not to leave. Our focus is on maintaining the All-Volunteer Force. That is why we find the retention aspects of both the reserve educational assistance program such an important attribute.

The MGIB-SR benefit rates have been adjusted annually according the Consumer Price Index, as provided in statute. This is the index used for both the MGIB program and the MGIB-SR program. But this annual adjustment has not kept pace with the cost of education. The widening gap between the rates paid under MGIB and MGIB-SR programs is the result of adjustments made to one program but not the other. To restore the historic relationship between the two programs, the Department estimates it would cost just over $13 billion over the next five years. While this is discretionary spending, the Reserve components are required to place funds

in the DoD Education Benefit Fund—money that is needed to increase readiness, fund modernization and purchase vital equipment.

CHANGE THE ADMINISTRATION SUPPORTS

The Administration has submitted a legislative proposal that would allow a Selected Reserve member to continue to receive REAP payments for up to 90 days while serving in the Individual Ready Reserve (IRR) and retain eligibility for REAP for members who remain in the IRR longer than 90 days. They would once again be able to begin using benefits when they return to the Selected Reserve.

CONCLUSION

Few areas, if any, are more important to the Secretary of Defense and the Secretaries of the Military Departments than recruiting and retention. We recognize our duty to fill the All-Volunteer Force with high-quality, motivated, and well-trained men and women. Education benefit programs have been a major contributor to recruiting and retention achievements over the past 20 years. It is our desire that any changes to these programs would only be undertaken if they improve recruitment, retention, force shaping and ultimately help us sustain the All-Volunteer Force.

We welcome the opportunity to discuss these important matters with Congress and I look forward to working with your committees to ensure that these programs remain robust. I would again like to thank the committee for its continued support of the men and women of the Armed Forces.

Statement of Mr. Keith Wilson
Director of Education Service
Veterans Benefits Administration
Department of Veterans Affairs
Before the
House Committee on Armed Services
Subcommittee on Military Personnel
Washington, DC

February 28, 2007

Good morning Mr. Chairman, Ranking Member McHugh, and members of the Subcommittee. I appreciate the opportunity to appear before you today to discuss the impact of changes to two existing title 10 Reserve/Guard education benefit programs administered by the Department of Veterans Affairs (VA), namely, the Montgomery GI Bill—Selected Reserve (MGIB—SR or chapter 1606) and the Reserve Educational Assistance Program (REAP or chapter 1607). In particular, my testimony will address the major changes to those programs as proposed in HR 1102. This bill would consolidate the two programs into a new chapter 33 in title 38, United States Code. The bill would also make significant changes to both programs.

Current Education Programs

The MGIB – SR (Chapter 1606) provides members of the Selected Reserve with educational assistance, generally in the form of monthly benefits, to assist them in reaching their educational or vocational goals. The REAP (Chapter 1607) provides an enhanced benefit for reservists and those in the National Guard who are activated for more than 90 days due to an emergency or contingency as defined by the President or

Congress. Education benefits assist in the readjustment to civilian life, support the armed services' recruitment and retention efforts, and enhance the Nation's competitiveness through the development of a more highly educated and productive workforce.

The MGIB-SR is the first GI Bill to provide educational assistance to members of the Selected Reserve (including National Guard members). The Department of Defense (DOD) funds this program and is responsible for determining eligibility for this program. VA's Veterans Benefits Administration (VBA) administers the program. MGIB-SR participants must agree to a six-year Selected Reserve obligation after June 30, 1985; must have completed the requirements of a secondary school diploma, or its equivalent, before applying for benefits; and generally must remain a member in good standing in the Selected Reserve. The maximum entitlement under this program is 36 months, and participants must generally use benefits within 14 years of the date eligibility began.

The REAP provides educational assistance to members of the Guard and Reserve who serve on active duty in support of a contingency operation under federal authority on or after September 11, 2001. The Department of Defense determines eligibility to REAP. To establish eligibility, members must have served for a minimum of 90 consecutive days. The maximum full-time entitlement allowed under this program is 36 months, and the benefit rate is a portion of the Montgomery GI Bill -- Active Duty program (MGIB or Chapter 30) three-year enlistment rate.

Workload and Usage

The education claims processing workload for Chapter 1606 increased steadily from 2001 through 2006. Incoming claims are numerically measured by end product, or work credit attached to the receipt of the claim. In 2006, VA received more than 261,000 MGIB-SR benefit claims and 68,000 REAP benefit claims. In the first quarter of fiscal year 2007, we received nearly 54,000 MGIB-SR benefit claims and 29,000 REAP benefit claims. From first quarter 2006 to first quarter 2007, claims for benefits under Chapter 1606 increased by 10%, in addition to the new workload created by the Chapter 1607 program.

The Department of Defense has informed us that between 1986 and 2006, more than 1.5 million Selected Reserve members have gained eligibility for the MGIB-SR benefits. Forty-two percent of them have applied for educational assistance.

In fiscal year 2006, over $ 122 million in benefits were paid to over 66,000 Selected Reserve members participating in the MGIB-SR program. This does not include those who received benefits under the Reserve Education Assistance Program (REAP). In fiscal year 2006, over $153 million in benefits were paid to almost 24,000 REAP participants. In the first quarter of fiscal year 2007, over $28 million in benefits were paid to more than 35,500 Selected Reserve members participating in the MGIB-SR program, and over $75.5 million in benefits to over 23,000 REAP participants.

Proposed Program Changes

HR 1102 seeks to consolidate certain reserve education benefits programs and to provide enhanced educational benefits to Reserve and Guard members. As these changes are considered, the basis for the programs should be a major guiding factor. The "three R's" of recruitment, retention, and readjustment must continue to be the foundation upon which "Total Force" education benefits should be structured.

We believe the proposed changes should be transparent to eligible persons and facilitate program administration. Based on our experience in administering the educational benefits programs, we have noted that the cause of some of the greatest confusion and processing delay stems from the extensive eligibility criteria and myriad program elections that are required.

Shifting the governing statutes for the Chapter 1606 and 1607 programs from title 10 to title 38 of the United States Code may seem appealing, on the surface. However, while this may facilitate VA oversight, it has other broader implications. Clearly, it invests VA with new funding authority and responsibilities beyond the Department's traditional role. In some cases, moreover, this may intrude upon matters more appropriately within the jurisdiction of the Department of Defense. One example of this is the provision in HR 1102 making VA partly responsible for determining "kicker" amounts. Not only is such a decision not within our area of expertise, but the required departmental consensus also could create unnecessary and inappropriate tension between domestic spending initiatives for veterans and force management objectives

for service members. Decisions on the latter, in our view, should reside solely with the Department of Defense. Otherwise, we have not yet fully assessed the impact on our Department of transferring the mentioned title 10 programs to title 38 as proposed by H.R. 1102. Although we have not yet assessed the full cost of the bill, the proposed program changes could result in significant costs that are not included in the President's Budget. For this and previously stated reasons, the Administration cannot support this legislation at this time.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions you or any of the other members of the Subcommittee may have.

DOCUMENTS SUBMITTED FOR THE RECORD

FEBRUARY 28, 2007

Partnership for Veterans' Education

STATEMENT FOR THE RECORD

on

THE TOTAL FORCE MONTGOMERY GI BILL

(H.R. 1102)

Hearing Topic: Expanded Education Benefits for Reservists

MILITARY PERSONNEL SUBCOMMITTEE

House Armed Services Committee

February 28, 2007

201 N. Washington Street
Alexandria, VA 22314-2539

The Partnership for Veterans Education, a consortium of military, veterans, and higher education associations, which advocate for improving educational benefits under the Montgomery GI Bill, is pleased to submit a Statement for the Record on H.R. 1102, a bill that would consolidate and upgrade educational benefits for service men and women and veterans under the Montgomery GI Bill.

Although certain members of the Partnership for Veterans Education do receive grants or contracts from the federal government, the Partnership for Veterans Education as such does not.

This statement is endorsed by the following military, veterans, and higher education associations:

- Air Force Association
- Air Force Sergeants Association
- Air Force Women Officers Associated
- American Logistics Association
- Army Aviation Association of America
- Association of the United States Army
- Chief Warrant Officer and Warrant Officer Association, U.S. Coast Guard
- Commissioned Officers Association of the U.S. Public Health Service, Inc.
- Enlisted Association of the National Guard of the United States
- Fleet Reserve Association
- Gold Star Wives of America, Inc.
- Jewish War Veterans of the United States of America
- Marine Corps League
- Marine Corps Reserve Association
- Military Chaplains Association of the United States of America
- Military Officers Association of America
- Military Order of the Purple Heart
- National Association for Uniformed Services
- National Guard Association of the United States
- National Military Family Association
- National Order of Battlefield Commissions
- Naval Enlisted Reserve Association
- Naval Reserve Association
- Non Commissioned Officers Association
- Reserve Enlisted Association
- Reserve Officers Association
- The Retired Enlisted Association
- Society of Medical Consultants to the Armed Forces
- United Armed Forces Association
- United States Army Warrant Officers Association
- United States Coast Guard Chief Petty Officers Association
- Veterans of Foreign Wars of the United States
- Vietnam Veterans of America

- American Association of Community Colleges
- American Association of State Colleges and Universities
- American Council on Education
- National Association of Independent Colleges and Universities
- National Association of State Approving Agencies
- National Association of Student Personnel Administrators
- National Association of Veterans Program Administrators
- Servicemembers Opportunity Colleges

EXECUTIVE SUMMARY

Total Force Montgomery GI Bill. Our nation's active duty, National Guard and Reserve forces are operationally integrated under the Total Force policy but their educational benefits are not structured commensurate with the length and types of duty performed.

The Partnership for Veterans Education strongly supports enactment of H.R. 1102 to consolidate active duty and reserve MGIB programs in Title 38 and align benefit rates according to the length and type of service performed -- a Total Force MGIB.

Initial Entry Reserve MGIB Benefits

The Partnership for Veterans Education urges Congress to address the growing benefit gap between the Reserve MGIB (Chapter 1606) and the active duty program as soon as possible. To support reserve component retention, the Partnership also recommends continuous in-service usage of 'Chapter 1606' benefits until exhausted.

Reserve Educational Assistance Program (Mobilization) MGIB Benefits

The Partnership for Veterans Education recommends that Chapter 1607, 10 USC be transferred to Title 38 and that the rate formula for the program be adjusted to provide one month of active duty benefits under Chapter 30, 38 USC for every month mobilized.

Portability of Benefits

The Partnership for Veterans Education urges Congress to authorize use of reserve MGIB benefits earned during a mobilization under contingency operation orders for a period of 10 years after leaving service – the same portability active duty members enjoy.

Benchmarking MGIB Benefit Rates

The Partnership for Veterans Education urges Congress to benchmark MGIB benefit rates to keep pace with the average cost of education at a four-year public college or university.

Background on the Evolution of the Montgomery GI Bill

Our nation's total Armed Forces – active duty, National Guard, and Reserve -- are operationally integrated to carry out national security missions, but educational benefits under the Montgomery GI Bill (MGIB) do not reflect this "total force" policy, nor match benefits to the length and type of service performed.

The enactment of MGIB programs early in the All-Volunteer Force era sheds light on the current disconnect between the MGIB structure and the policies used today to ensure reserves are embedded in all military missions.

Congress re-established the GI Bill in 1984. The MGIB was designed to stimulate All-Volunteer Force recruitment and retention and to help veterans readjust to the civilian world on completion of their service. Active duty MGIB educational benefits were codified in Title 38, ensuring a readjustment purpose by authorizing use for up to 10 years after leaving service. But the Selected Reserve MGIB program was codified under Chapter 1606 of Title 10, and post-service benefits were not authorized.

The father of the modern G.I. Bill named for him, the late Representative G.V. 'Sonny' Montgomery, long-time Chairman of the House Veterans Affairs Committee, envisioned that Guard and Reserve service men and women deserved to participate in the GI Bill program in exchange for their voluntary service. But at the time, there was 'pushback' on the issue of "veteran status" for reservists. Moreover, leaders then did not anticipate today's routine usage of Guard and Reserve forces for active duty missions. Some groups felt that reservists who had not served on active duty had not earned veterans (readjustment) benefits. Chairman Montgomery forged a compromise that resulted in placing the new reserve GI Bill programs into the Armed Forces Code, Title 10.

From the inception of the MGIB until the late 1990s, Reserve MGIB benefits maintained proportional parity with the basic active duty program, paying nearly 50 percent of active duty benefit rates. Subsequently, active duty rates were increased significantly, but the Reserve benefits were not – largely because they were under a different committee's jurisdiction. Erosion of Reserve MGIB value relative to that of the active duty program began to occur at the very time that hundreds of thousands of Guard and Reserve servicemembers were being called up following the September 11, 2001 attacks.

The administration attempted to rectify the growing gap between reserve and active duty benefit rates by proposing legislation establishing a new Reserve MGIB for reservists activated for more than 90 days for a contingency operation. But the complexity of the new program (enacted as Chapter 1607, 10 USC), coupled with inadequate funding, poor correlation with other MGIB programs and the absence of a portability feature, has in our view compromised statutory objectives for the MGIB as envisioned by Sonny Montgomery.

A new architecture is needed to align the MGIB with the realities of the Total Force policy in the 21st Century.

Toward a Total Force MGIB for the 21st Century.

The Total Force MGIB has two broad concepts. First, all active duty and reserve MGIB programs would be consolidated under Title 38. DoD and the Services would retain responsibility for cash bonuses, MGIB "kickers", and other enlistment / reenlistment incentives. Second, MGIB benefit levels would be structured according to the level of military service performed.

The Total Force MGIB would restructure MGIB benefit rates as follows:

- Tier one – Chapter 30, Title 38 – no change. Individuals who enter the active armed forces would earn MGIB entitlement unless they decline enrollment.
- Tier two – Chapter 1606, Title 10 -- MGIB benefits for initial entry into the Guard or Reserve. Chapter 1606 would transfer to Title 38. Congress should consider adjusting benefit rates in proportion to the active duty program. Historically, Selected Reserve benefits have been 47-48% of active duty benefits.
- Tier three – Chapter 1607, Title 10, amended -- MGIB benefits for mobilized members of the Guard / Reserve on "contingency operation" orders. Chapter 1607 would transfer to Title 38 and be amended to provide mobilized servicemembers one month of "tier one" benefits (currently, $1075 per month) for each month of activation after 90 days active duty, up to a maximum of 36 months for multiple call-ups.

A servicemember would have up to 10 years to use remaining entitlement under Tier One or Tier Three programs upon separation or retirement. A Selected Reservist could use remaining Second Tier MGIB benefits only while continuing to serve satisfactorily in the Selected Reserve. Reservists who qualify for a reserve retirement or are separated / retired for disability would have 10 years following separation to use all earned MGIB benefits. In accordance with current law, in cases of multiple benefit eligibility, only one benefit would be used at one time, and total usage eligibility would extend to no more than 48 months.

The Partnership for Veterans Education strongly supports enactment of H.R. 1102 to consolidate military / veteran MGIB programs in Title 38 and align benefit rates according to the length and type of service performed, a Total Force MGIB.

Montgomery GI Bill Benefits for Members of the Selected Reserve

The Total Force MGIB concept outlined above would drive particular changes in the Selected Reserve MGIB programs.

Initial Entry Reserve MGIB Benefits. For the first 15 years of the Reserve MGIB program (Chapter 1606, 10 USC), benefits earned by individuals who initially join the Guard or Reserve for six years paid 47 cents to the dollar for active duty MGIB participants. Since 9/11, however, the ratio has dropped to 29 cents to the dollar. One consequence of the rate drop is that reservists feel their service is devalued. The following chart illustrates the sharp decline in rate parity since 9/11.

Montgomery GI Bill Program
Benefit History – Full Time Study Rates

Month	Year	Active Duty Chapter 30	Selected Reserve Chapter 1606	
Jul	1985	$300.00	$140.00	47%
	1986	$300.00	$140.00	47%
	1987	$300.00	$140.00	47%
	1988	$300.00	$140.00	47%
	1989	$300.00	$140.00	47%
	1990	$300.00	$140.00	47%
Oct	1991	$350.00	$170.00	49%
	1992	$350.00	$170.00	49%
Apr	1993	$400.00	$190.00	48%
Oct	1994	$404.88	$192.32	48%
Oct	1995	$416.62	$197.90	48%
Oct	1996	$427.87	$203.24	44%
Oct	1997	$439.85	$208.93	48%
Oct	1998	$528.00	$251.00	48%
Oct	1999	$536.00	$255.00	48%
Oct	2000	$552.00	$263.00	48%
Nov	2000	$650.00	$263.00	40%
Oct	2001	$672.00	$272.00	40%
Dec	2001	$800.00	$272.00	34%
Oct	2002	$900.00	$276.00	31%
Oct	2003	$985.00	$282.00	29%
Oct	2004	$1004.00	$288.00	28.6%
Oct	2005	$1034.00	$297.00	28.6%
Oct	2006	$1075.00	$309.00	28.7%

The Partnership for Veterans Education urges Congress to address the growing benefit gap between the Reserve MGIB (Chapter 1606) and the active duty program as soon as possible. The Partnership also recommends continuous in-service usage of Chapter 1606 benefits until exhausted.

Reserve Educational Assistance Program (Mobilization) Benefits. The design of the REAP (currently, Chapter 1607, 10 USC) for reservists called to active duty on contingency operation orders of at least 90 days was determined with little or no consultation with Defense Department, VA officials, and other stakeholders. The benefit rate structure is inconsistent with actual duty performed using Chapter 30 rates as a benchmark.

The Total Force MGIB proposal would establish the same month-for-month entitlement rate for mobilized reservists as for active duty members. Some have suggested this would amount to a benefit cut. With enactment of a portability feature, however, the REAP program ultimately would be fairer to all members of the force and more generous to mobilized troops. A restructured REAP also would be more closely aligned with the DoD policy of using the "operational reserve" on active duty every five or six years. The proposal would enable a G-R member potentially to acquire full MGIB benefits for 36 months combined service on contingency operation orders. Presently, Chapter 1607 awards $15,480 for 91 days active duty service, $23,220 for one year plus one day of active duty service, and $30,960 for 24 months active duty, assuming full-time training or study. Additional service offers no additional benefit, even though over the course of a 20 year Guard or Reserve career, reservists are expected to serve four or more years' active duty as "operational reservists".

The Partnership for Veterans Education recommends that Chapter 1607, 10 USC be transferred to Title 38 and that the rate formula for the program be adjusted to provide one month of active duty benefits under Chapter 30, 38 USC for every month mobilized.

Portability of Benefits. A key element of H.R. 1102 is that reservists mobilized for at least 90 days under federal contingency operation orders would be able to use remaining REAP benefits under Chapter 1607 after separation. That is, they would be entitled to post-service readjustment benefits under the MGIB. Some government officials are concerned, however, that this proposal would hurt National Guard and Reserve reenlistment and retention programs.

The Partnership for Veterans Education offers the following observations for the Subcommittee's consideration. America's volunteer military – active duty and reserve component – become veterans when they complete their active duty service agreements. For mobilized reservists, when they return from an active duty call-up (under contingency operation orders) they are veterans, and no American would dispute that fact, no less their sacrifice. Why then should they be treated as second-class citizens for purposes of the MGIB? If an active duty member who serves two years on active duty and one tour in Iraq may use MGIB benefits for up to 10 years after leaving service, do we not owe equal treatment to a Guard or Reserve member who serves two or more years in Iraq over a period of six or eight years of Guard/Reserve service?

DoD's own survey of reserve component members (DoD Status of Forces Survey, November 2004) indicates that "education" is not a key component in extension or reenlistment decisions. Moreover, a reenlistment or extension decision enables the service member to retain original Reserve MGIB benefits (currently, Chapter 1606) as well as the potential to earn more active duty MGIB entitlement through successive call-ups. That's not possible under the REAP program today. Reservists who choose to remain in the Selected Reserve and are subsequently activated would earn one month of active duty MGIB benefits for every month mobilized, up to 36 months of benefits, under the Total Force MGIB proposal. Under H.R. 1102, they would still have up to 12 months remaining usage under Chapter 1606, since current law allows dual-benefit accrual up to 48 mos. maximum entitlement. In short, there is a built-in incentive to continue serving in the Selected Reserve because of the potential to earn more MGIB entitlement under H.R. 1102.

Over the twenty-one year history of the MGIB, no research has shown that active duty veterans "get out" because of the MGIB. Many other valid personal and family reasons drive these volunteers' decisions to serve or not. To argue that mobilized reservists should be treated differently is unfair and an insult to their spirit of voluntarism.

The Partnership for Veterans Education urges the Subcommittee to endorse the provision in H.R. 1102 that would allow post-service usage of reserve MGIB benefits earned during a mobilization under contingency operation orders for a period of 10 years after leaving service – the same portability active duty members enjoy.

$1,200 MGIB Enrollment "Tax". The MGIB is one of the only government-sponsored educational programs in America that requires a student to pay $1,200 (by payroll reduction during the first 12 months of military service) in order to establish eligibility. The payroll deduction is nothing more than a penalty that must be paid for before the benefit is received. Sadly, this fee causes some enlisted service members to decline enrollment simply because they are given a one-time, irrevocable decision when they are making the least pay and are under the pressure of basic military training.

Those who decline enrollment—many due to financial necessity—do not have a second chance to enroll later. This is a major heartburn item from our lowest-ranking volunteers entering military service. New recruits feel tricked when they enter service and learn they must forego a substantial amount of their first year's pay to enroll in the MGIB. The practice sends a very poor signal to those who enter service expecting a world-class educational benefit.

The Partnership for Veterans Education has not adopted a formal position on this issue at this time, but we recommend that Congress address the long-term impact of an MGIB access "tax" in consolidating MGIB programs for the 21st century.

Benchmarking MGIB Rates to the Average Cost of Education. Department of Education data for the 2005-2006 academic year show the MGIB reimbursement rate for full-time study covers about 80%* of the cost at the average public four-year college or university (* percentage reflects average costs only for tuition, room, board; does not include actual expenses to veterans of commuting, living costs, or books and supplies).

The Partnership for Veterans Education urges Congress to benchmark MGIB benefit rates to keep pace with the average cost of education at a four-year public college or university.

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The Servicemember's Voice in Government
Established in 1968

Statement of

The National Association for Uniformed Services (NAUS)

on

HR 1102, The Total Force GI Bill

submitted by

Rick Jones
NAUS Legislative Director

to

Subcommittee on Military Personnel
Committee on Armed Services

Wednesday, February 28, 2007
2118 Rayburn House Office Building

Chairman Snyder, Ranking Member McHugh and Members of the Subcommittee:

On behalf of The National Association for Uniformed Services (NAUS), thank you for the opportunity to enter a statement for the record on NAUS strong support for H.R. 1102, the Total Force GI Bill. We appreciate your introduction of this measure.

It is appropriate that the Total Force GI Bill be introduced at this time. Its strength lies in recognizing the important role our Guard and Reserve serve in our military's Total Force and its fight for freedom. Without these Americans, our nation's military capability would be seriously diminished.

The current Montgomery GI Bill, as supportive as it is, clearly needs to be improved to reflect the tremendous contributions our Guard and Reserve have made to the defense of our nation.

When the original GI Bill of Rights was passed at the close of World War II, it expressed our nation's gratitude for the "Greatest Generation's" fight against tyranny, and it formed the foundation of the prosperity that flourished following the war's end.

Our military and its missions have changed a great deal since then. And exactly as we demonstrated our thanks to those courageous warriors who saved democracy, it is now time for our national government to repay the debt to those who fight the war on terror around the globe.

Since the Persian Gulf War, and especially since the start of the Global War on Terrorism, Guard and Reserve personnel have seen a dramatic upward spiral in their rate of deployment and mobilization. Unfortunately, many of the benefits designed to recognize this service have eroded, untouched for decades.

H.R. 1102 would address several key areas that would update and upgrade Guard and Reserve educational benefits.

First, the bill would move authority for the program from the darkness of DoD management, where it has been neglected, to the light of VA jurisdiction, where the general program has been given the serious attention it deserves.

Second, the bill would ensure that the benefits would be maintained in proportionality with active-duty Montgomery GI Bill rates, which in the 1990s and before stood at nearly 50 percent of the active duty rate for members of the Guard and Reserve.

And third, the bill would establish a 10-year post-service term for use of the benefit, as provided in the active duty program. Under current law, Guard and Reserve eligibility is forfeit on separation from service.

NAUS firmly believes that the benefits offered to Guard and Reserve should keep pace with our nation's increased reliance on these citizen warriors as an operational force. In this regard, it is important to realize that Guard and Reserve troops made up more than 30 percent of the force deployed overseas in the 2004 and 2005 period. And at this time our reliance on these citizen soldiers remains high at nearly 25 percent.

A grateful nation must keep faith with its brave men and women in armed service, treating them with dignity and providing them the benefits they have earned. We cannot afford to neglect or take for granted what they do.

Last year, Congress permanently provided selected reservists with access to the military's TRICARE health care system. NAUS applauds Congress for this commitment.

This year, it is appropriate that Congress takes the next step and extends our nation's thanks to these men and women who fight the war on terror and respond to the struggle for security.

As we travel to various bases across the country, NAUS has listened to the hopes and aspirations of those individuals serving in today's active duty, Guard and Reserve. And we are impressed by the poise and self-confidence of this generation that is currently serving us so well in America's military.

Listening to this generation of service personnel, NAUS hears the sense of community, the hope for a better life and the enduring spirit that has prospered America over the years of our nation.

Mr. Chairman, the Total Force GI Bill is the right thing to do. It offers those who have defended America the key to an education, which will help unlock the full promise of America. And for the nation, it expresses a sincere gratitude for the selfless service of those serving in our Guard and Reserve.

NAUS sincerely appreciates your efforts to improve the Total Force GI Bill, and we look forward to working with you, members of the Subcommittee and others in the Congress to approve this measure, as soon as possible.

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Statement for the Record of

THE
NAVAL RESERVE ASSOCIATION

BEFORE THE

U.S. HOUSE COMMITTEE ON ARMED SERVICES
PERSONNEL SUBCOMMITTEE

ON

THE TOTAL FORCE MONTGOMERY GI Bill

February 28, 2007

The Naval Reserve Association

The Naval Reserve Association traces its roots back to 1919, and is devoted solely to service to the Nation, Navy, the Navy Reserve, Navy Reserve officers and enlisted, and members of all Reserve Components. It is the premier national education and professional organization for Navy Reserve personnel, and the Association Voice of the Navy Reserve.

Full membership is offered to all members of the services and Naval Reserve Association members come from all ranks and components.

The Association has just under 22,000 members from all fifty states. Forty-five percent of the Naval Reserve Association membership is drilling and active reservists and the remaining fifty-five percent are made up of reserve retirees, veterans, and involved civilians. The National Headquarters is located at 1619 King Street Alexandria, VA. 703-548-5800.

DISCLOSURE OF FEDERAL GRANTS OR CONTRACTS

The Naval Reserve Association does not currently receive, has not received during the current fiscal year, or either of two previous years, any federal money for grants. The Association has accepted federal money solely for Naval Reserve Recruiting advertisement in our monthly magazine. All other activities and services of the Association's are accomplished free of any direct federal funding.

On behalf of our 22,000 members, and in advocacy for the 80,000 active Navy Reservists and the mirrored interest of Guard and Reserve personnel, we are grateful for the subcommittee's effort in this hearing and for the opportunity to submit a statement for the Record on H.R. 1102, a bill that would consolidate and upgrade educational benefits for service men and women and veterans under the Montgomery GI Bill.

We very much appreciate the efforts of this subcommittee, the full committee on Armed Services and like committees in the U.S. Senate to support our deployed personnel and their families. Your willingness to address and correct issues facing Guardsmen and Reservists affirms their value to the defense of our great nation. Your recognition of these men and women as equal partners in time of war serves you well in the eyes of many. Your willingness to look at issues related to the use of the Guard and Reserve on the basis of fairness sets the Legislative Branch well above the Executive Branch which seemingly develops its positions on the basis of cost of weapons and programs and not people.

It is our hope that many of these issues will be adequately addressed by the Commission on the Guard and Reserve. We had great hopes that the Commission would give Congress and the Administration a holistic view of the myriad issues facing today's Guard and Reserve. The Commission may not focus on this issue.

That said, there are issues that need to be addressed by this Committee and this Congress. Recruiting and retention issues are moving to center stage for all services and their reserve components. The Navy has not met its target for 13,000 new Naval Reservists and the Navy Reserve will be challenged to appreciably slow the departure of 17,000 experienced personnel this fiscal year. The Navy is facing growing challenges in meeting its recruiting goals, and appears to have a cavalier opinion about those shortages. Other services and their Reserve Components likely face these same challenges.

We believe that Congress should enact HR 1102 because our Guard and Reserve members are providing invaluable services to our nation at this time

Toward a Total Force MGIB for the 21st Century.

It is our understanding that, The Total Force MGIB has two broad concepts. First, all active duty and reserve MGIB programs would be consolidated under Title 38. DoD and the Services would retain responsibility for cash bonuses, MGIB "kickers", and other enlistment / reenlistment incentives. Second, MGIB benefit levels would be structured according to the level of military service performed.

The Total Force MGIB would restructure MGIB benefit rates as follows:

- Tier one – Chapter 30, Title 38 – no change. Individuals who enter the active armed forces would earn MGIB entitlement unless they decline enrollment.
- Tier two – Chapter 1606, Title 10 -- MGIB benefits for initial entry into the Guard or Reserve. Chapter 1606 would transfer to Title 38. Congress should consider

adjusting benefit rates in proportion to the active duty program. Historically, Selected Reserve benefits have been 47-48% of active duty benefits. We believe this benefit rate should be raised.

- Tier three – Chapter 1607, Title 10, amended -- MGIB benefits for mobilized members of the Guard / Reserve on "contingency operation" orders. Chapter 1607 would transfer to Title 38 and be amended to provide mobilized servicemembers one month of "tier one" benefits (currently, $1034 per month) for each month of activation after 90 days active duty, up to a maximum of 36 months for multiple call-ups.

A servicemember would have up to 10 years to use remaining entitlement under Tier One or Tier Three programs upon separation or retirement. A Selected Reservist could use remaining Second Tier MGIB benefits only while continuing to serve satisfactorily in the Selected Reserve. Reservists who qualify for a reserve retirement or are separated / retired for disability would have 10 years following separation to use all earned MGIB benefits. In accordance with current law, in cases of multiple benefit eligibility, only one benefit may be used at one time, and total usage eligibility extends to no more than 48 months.

The Navy Reserve has provided and is providing approximately 9,500 people per year for the Global War on Terrorism, and for the foreseeable future this will not change. Members of the Navy Reserve serve mainly because they want to serve their country and the Nation. However, the benefits package keeps them in the service when the call to mobilize is delivered. Our nation's military is integrated into one service; active, guard and reserve. It is time to consolidate this extremely important benefit into a single program – fully funded for Reserve and Guard at the proper level.

This recommendation is relevant to the needs of the services today. We urge you to put this issue to the Reserve Component Chiefs and Reserve Component Senior Advisors, and actual members of the Selected Reserve for their opinions.

In summary, we believe the Committee needs to address this issue for our Guardsman and Reservists in the best interest of our National Security, and:

- Authorize A new Total Force MGIB, while restoring Reserve MGIB to 48-50 percent of the active duty entitlement.

We thank the committee for consideration of these tools to assist the Guard and Reserve in an age of increased sacrifice and utilization of these forces.

STATEMENT OF
JOSEPH C. SHARPE, JR., DEPUTY DIRECTOR
ECONOMIC COMMISSION
THE AMERICAN LEGION

TO THE

SUBCOMMITTEE ON MILITARY PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES

ON

THE TOTAL FORCE MONTGOMERY GI BILL (H.R. 1102)

FEBRUARY 28, 2007

STATEMENT OF
JOSEPH C. SHARPE JR., DEPUTY DIRECTOR
ECONOMIC COMMISSION
THE AMERICAN LEGION
TO THE
SUBCOMMITTEE ON MILITARY PERSONNEL
COMMITTEE ON ARMED SERVICES
UNITED STATES HOUSE OF REPRESENTATIVES
ON
THE TOTAL FORCE MONTGOMERY GI BILL (H.R. 1102)

FEBRUARY 28, 2007

Mr. Chairman and Members of the Subcommittee:

The American Legion appreciates the opportunity to share its views on the current Montgomery GI Bill (MGIB) and on the Total Force GI Bill being proposed by the Veterans Affairs Advisory Committee on Education and the Partnership for Veterans Education.

Education and the Total Force GI Bill

Historically, The American Legion has encouraged the development of essential benefits to help attract and retain service members into the Armed Services, as well as to assist them in making the best possible transition back to the civilian community. The Serviceman's Readjustment Act of 1944, the "GI Bill of Rights" is an historic piece of legislation, authored by The American Legion, that enabled millions of veterans to purchase their first homes, attend college, obtain vocational training, receive quality health care and start private businesses. The emergence of the American middle class, the suburbs, civil rights, and finally a worldwide economic boom can be attributed, in part, to this important legislation.

The majority of individuals who join the National Guard or Reserves enter the Armed Forces straight out of high school, and many are full or part time students.

With the number of activations of the Reserve component since September 11, 2001, these same Reservists, who are attending colleges and universities around the country, are discovering that their actual graduation date may be extended well past their initial anticipated graduation date. It's also taking longer for students to graduate, raising the overall cost of a college degree. The average public university student now takes 6.2 years to finish.

Under current law, members of the Reserve component face many challenges in using the MGIB-SR benefits. Since September 11, 2001, the utilizations of the Reserve components to augment the Active Duty Force (ADF) presents complications for those members of the Guard and Reserves enrolled in college programs. The uncertainty associated with unit activations, lengthy activations, individual deactivations, and multiple unit activations makes utilization of educational benefits extremely difficult. Such decisions as whether to enroll for a semester;

long-range planning for required courses, or whether to finish a semester are among the challenges confronted. Other factors include accrued student loan debt, falling behind peers in studies, and limbo status due solely to the military's indecision.

One local Reservist, who completed a 14-month tour in Iraq, withdrew from college after 9/11 because he was told his unit would soon be deploying. He began to accrue student loan debt, falling behind peers in studies, and limbo status due solely to the military's indecisions.

Due to the Global War on Terror, he had missed 3 full years of collegiate studies and watched his academic peers graduate. Finally, this same reservist graduated in August 2005 from the University of Maryland, eight years after beginning his post secondary education. The other half of this travesty is that he accumulated $50,000 in student loan debt.

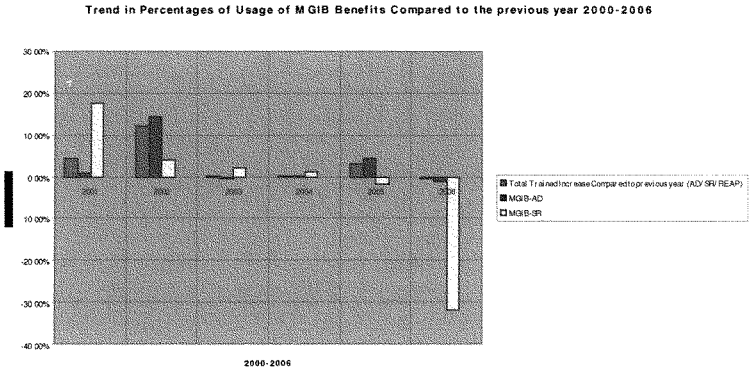
When service members return to civilian life, they most likely return in the middle of a semester and are unable to start school for several more months. This is because for nine months out of the year, universities are in their lengthy Fall and Spring semester terms; these young men and women can't restart their academic careers until the next term starts. Additionally, some required courses are only offered at certain periods of the year. Meanwhile, they cannot live on campus housing because they are ineligible due to not being enrolled for that term.

It is important to note that tuition and fees represent only a fraction of the total cost of attending college. The overall cost (tuition, fees, room, board, books, *including* transportation) of a typical public college is about $16,400 a year. (**College Board**)

When living costs and other education-related expenses are considered, tuition and fees constitute 67 percent of the total budget for full-time students enrolled in four-year private colleges and universities, 36 percent of the budget for in-state residential students at public four-year institutions, and only 18 percent of the budget for two-year public college students commuting from off-campus housing.

Furthermore, there is a large disparity between veterans' education benefits and actual costs of top universities. The top 124 schools as listed in the **U.S. News and World Report** have an average tuition and fees of $24,636, and room and board rates of $8,610, totaling $33,246 for one year. The total equates to approximately *86 percent* of the entire 36-month full rate MGIB-Active Duty (MGIB-AD) benefit. The top 10 schools on this list have an average cost per year of $43,123 which equates to *111 percent* of the entire 36-month full rate MGIB-AD benefit.

Reservists are not able to use benefits due to deployments and are simultaneously becoming ineligible due to completing their Selected Reserve commitment. The following chart reflects the percentage change of those who use their education benefits compared to the years prior from 2000 to 2006. The striking graphic shows that in the past year (2006), usage has dropped tremendously. Two key factors are increased deployments and termination of service in the Selected Reserve.



	YEAR	TOTAL	MGIB-AD	MGIB-SR	REAP
Total Trained during year (AD/SR/REAP)	2005	423,442	336,281	87,161	
Total Trained Compared to previous year (AD/SR/REAP)	2005	3.11%	4.43%	-1.71%	
Total Trained during year (AD/SR/REAP)	2006	422,036	332,184	66,105	23,747
Total Trained Compared to previous year (AD/SR/REAP)	2006	-0.33%	-1.23%	-31.85%	100%

There are no current figures that dictate how many reservists and National Guard members remain eligible.

Background of the Reserve Force

In the 20 years since the MGIB went into effect on June 30, 1985, the nation's security has changed radically from a fixed Cold War to a dynamic Global War on Terror. In 1991 the ADF

of the military stood at 2.1 million; today it stands at 1.4 million. Between 1915 and 1990 the Reserve Force (RF) was involuntarily mobilized only nine times.

There is now a continuum of service for military personnel, beginning with those who serve in the Reserve component only, extending through those in the Reserve component who are called to active duty for a considerable period of time, and ending with those who enlist in the ADF and serve for a considerable period of time. Since 9/11 more than 600,000 members of the 860,000-member Selected Reserve have been activated.

Today, approximately 40 percent of troops in Iraq are Guard personnel or Reservists. Despite this, both the MGIB-AD and the MGIB-SR still reflect benefits awarded 20 years ago with increases well behind the annual educational inflation rate. The Reserve component members rarely served on active duty at that time. The idea that any projection of U.S. power would require the activation of at least some Reservists was never considered in creating these programs.

Total Force GI Bill

Currently, The American Legion is advocating for the Total Force MGIB. One major selling point of this proposal is the portability of education benefits. This legislation will allow Reservists to earn credits for education while mobilized, just as active-duty troops do, and then use them after they leave the military service.

Current law gives troops who serve on active duty three or more years to collect up to $1,075 a month for 36 months as full-time students totaling $38,700. That benefit is available up to 10 years after discharge.

Reserve and Guard personnel can earn percentages of the full time active duty rate depending on length of their mobilization. If they are mobilized for 15 months -- the average length of deployment -- and then go to school full time they can only receive up to a maximum of $23,220 using their Reserve Education Assistance Program (REAP) benefits. However, they can collect only if they remain in a Guard or Reserve unit. If they go into the inactive Reserve (Individual Ready Reserve) or are discharged, they no longer are eligible for education benefits.

Some unofficial cost estimates of the Total Force MGIB run as high as $4.5 billion for the first 10 years, although the Congressional Budget Office has yet to provide detailed figures.

The Total Force MGIB plan calls on Congress to combine statutory authority for both MGIB-AD and MGIB-SR programs under the Department of Veterans Affairs (VA) (Chapter 30 of Title 38 of the U.S. Code). This would mean moving MGIB-SR programs from the Department of Defense (Chapter 1606 of Title 10 of the U.S. Code) and shifting oversight responsibility to VA.

The plan also calls for simplifying MGIB benefit levels and features into three tiers.

Tier one would be MGIB-AD. Benefits for full time students are currently $1075 a month for 36 months of college or qualified vocational training.

Tier two would be MGIB-SR for drilling members who enlist for six years. But MGIB-SR would be raised to equal 47 percent of MGIB-AD and kept there. For years, Congress adjusted the MGIB-SR in lock step with MGIB-AD, staying at 47 percent of active duty rates. Since 1999, the Committees on Armed Services and Defense officials have failed to adjust the rates. As a result, the current MGIB-SR benefit for full time students is $309 a month, or just 29 percent of MGIB-AD.

Tier three would be MGIB benefits for activated Reservists, but with changes to the Reserve Education Assistance Program (REAP) that Congress enacted in 2004. Technical problems had delayed the full implementation of REAP. REAP provides extra MGIB benefits to Reservists mobilized for 90 days or more since September 11, 2001. Payments are 40, 60 or 80 percent of MGIB-AD, depending on length of activation. As with MGIB-SR, REAP provides 36 months of benefits, but they end if the Reservist leaves military service.

Under Total Force MGIB, activated Reservists would get one month of benefits, at the active duty rate, for each month of mobilization up to 36 months. Members would have up to 10 years to use active duty or activated Reserve benefits (tiers one and three) from the last date of active service. A Reservist could also use any remaining MGIB-SR benefits (tier two), but only while in drill status or for up to 10 years after separation if the separation is for disability or qualification for retirement.

Conclusion

As the distinctions between the active and Reserve forces continue to fade, the difference between the active and Reserve forces of the MGIB should disappear accordingly. Benefits should remain commensurate with sacrifice and service. The American Legion agrees with the concept of the Total Force MGIB, which is designed to update the MGIB by incorporating the new security realities of this current open-ended Global War on Terror.

Therefore, The American Legion, which has a proud history of advocating for increased educational benefits to members of the Armed Forces, supports the "Total Force Educational Assistance Enhancement and Integration Act of 2007." The bill would modernize the MGIB benefits to more effectively support armed forces recruiting, retention, and readjustment following service, and to better reflect a "Total Force" concept that ensures members of the Selected Reserve receive educational benefits that match their increased service to the nation.

"Working Together"
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WRITTEN STATEMENT SUBMITTED
FOR THE RECORD
MONTGOMERY GI BILL (MGIB-SR)
SELECTED RESERVE ENHANCEMENTS

The Reserve Officers Association and the Reserve Enlisted Association urge the HASC military personnel subcommittee to support Selected Reserve education reforms for all Reserve Component personnel.

Those enhancements should:

- Place all GI Bill funding and administration belongs under the jurisdiction of the Senate and House committees on Veteran Affairs.
- Include deployed Reservists under MGIB-Active to allow qualification by accumulating active duty time; earning up to 36 months of benefit at 100 percent.
- Permit continued access to MGIB-SR education throughout a Reservists career.
- Extend MGIB-SR eligibility for 10 years following separation or transfer from the Selected Reserve in paid drill status.
- Return the MGIB-SR (Chapter 1606) payment rate to 47 percent of MGIB-Active.
- Include 4-year as well as 6- year reenlistment contracts to qualify for a prorated MGIB-SR (Chapter 1606) benefit.
- Continue MGIB-SR eligibility of Reservists who are involuntarily transferred from pay to non-pay and continue to maintain qualifying years.
- Stipulate that RC personnel can use their education benefits while mobilized.
- Transfer unused benefits for career service-members to family members.
- Allow use of the MGIB benefit to pay off student loans.

Background

Congress re-established the GI Bill in 1984. The MGIB, codified in USC Title 38, Chapter 30, was designed to stimulate All-Volunteer Force recruitment and retention and to help veterans readjust to the civilian world on completion of their service.

At the same time, the Selected Reserve MGIB program was first codified under Chapter 1606 of USC Title 10 intended as a recruiting and retention incentive. Because of this post-service benefits have not been authorized, which can actually be a disincentive.

Guard and Reserve members may be entitled to receive up to 36 months of MGIB-SR education benefits. This benefit not only has a positive effect on the individual, but the military benefited by having an educated force.

- Continued on Back -

At the beginning of MGIB until the late 1990s, Reserve MGIB benefits maintained proportional parity with the basic active duty program, paying nearly 50 percent of active duty benefit rates. Yet, the MGIB-SR has not kept pace with national military strategy and force deployment policies.

MGIB-SR began to erode as a benefit at parity just as the active forces began to be deployed more, and thousands of Guard and Reserve were recalled or mobilized to provide operational support. MGIB-SR pays approximately 28.5 percent of MGIB-Active.

In 2004, Congress attempted to rectify the growing gap between reserve and active duty benefit rates by establishing a new MGIB Reserve Educational Assistance Program (REAP) for reservists activated for more than 90 days for a contingency operation with, Chapter 1607, Title 10 USC.

To qualify for Chapter 1606 a Reserve Component member must enlist or reenlist for six years. Members eligible for Chapter 1606, when activated, can switch to Chapter 1607 GI Bill, which pays up to 80 percent of the Active MGIB (Chapter 30), based on duration of service.

Reserve service members usually have 14 years to use their MGIB-SR benefits starting the first day they become eligible. This eligibility ends when Guard or Reserve members stop drilling with pay. If a demobilized Reservist stops drilling, he or she may switch from chapter 1607 benefits back to chapter 1606 benefits for a period equaling the length of deployment plus four months. Active Duty recipients have 10 years after separation to use their benefits.

The incremental manner in which Chapters 30, 1606, and 1607 have evolved has led to inequities in educational benefits. Based on their service in the Global War of Terrorism both at home and abroad, today's military reservists deserve enhancements to their eligibility under the MGIB for Selected Reserves.

Program	USC	Current Monthly Rates			Length of Service
		Full	¾ time	½ time	
MGIB-Active	Title 38 Chapter 30	$1,075.00	$806.25	$537.50	24-36 mos.
MGIB-SR REAP	Title 10 Chapter 1607	$860.00	$645.00	$430.00	2 years + consecutive
MGIB-SR REAP	Title 10 Chapter 1607	$645.00	$483.75	$322.50	1 year + consecutive
MGIB-SR REAP	Title 10 Chapter1607	$430.00	$322.50	$215.00	90-364 days consecutive
MGIB –SR	Title 10 Chapter 1606	$309.00	$231.00	$153.00	6 year commitment

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American Council on Education
Office of the President

February 26, 2007

The Honorable Vic Snyder
Chairman
Military Personnel Subcommittee
House Armed Services Committee
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John M. McHugh
Ranking Member
Military Personnel Subcommittee
House Armed Services Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Chairman Snyder and Ranking Member McHugh:

On behalf of the American Council on Education and the more than 1,800 institutions of higher education it represents, I write to commend you for holding this hearing and to express our support for the Total Force GI Bill.

The Total Force GI Bill is an idea whose time has come. As a matter of equity, it is an appropriate recognition of the service and sacrifice of today's selected reserves, more than 500,000 of whom have been mobilized since September 11, 2001. As a matter of public policy, it is a forward-looking response to the nation's universally acknowledged need to expand access to postsecondary education to more of its citizens so that we can remain competitive in the global economy of the 21st century.

Just as the Montgomery GI Bill helped launch the "Greatest Generation" and the prosperity it produced after World War II, so too can the Total Force GI Bill propel this generation of service men and women toward the full measure of their individual potential and collective contribution to the nation they have served so well.

American higher education salutes this bipartisan initiative and stands ready to work with you and your colleagues on both sides of the aisle to pass the Total Force GI Bill this Congress.

Sincerely,

David Ward
President

DW/mmm

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Views and Cost Estimate H.R. 1211

Issue:
H.R. 1211, 110th Congress, "Resuming Education after Defense Service Act of 2007"

Purpose:
H.R. 1211 proposes to amend Section 3012 of Title 38, United States Code, to provide entitlement to educational assistance under the Montgomery GI Bill (MGIB) for members of the Selected Reserve who *aggregate* more than two years of active duty service in any five-year period with the first active duty orders received during the period September 11, 2001 to December 31, 2008. Effectively, this bill creates another category of chapter 30 eligible servicemembers and veterans.

Background:
Under 38 U.S.C. 3012, members of the Selected Reserve are currently eligible for chapter 30 MGIB if they serve at least two *continuous* years of active duty in the Armed Forces after June 30, 1985, followed by four years of service in the Selected Reserves. Such reservists are entitled to a full-time monthly educational assistance rate of $1,101.

An individual may also establish MGIB eligibility under 38 U.S.C. 3011 with an active duty obligation of less than three years. However section 3011(d)(3) provides that members of the Selected Reserve who are ordered to active duty under sections 12301, 12302, 12304, 12306, or 12307 of title 10, U.S.C. for a period of less than two years may not use such period as their obligated period of active duty to establish eligibility under 38 U.S.C. 3011. An individual who qualifies for MGIB under the provisions of 38 U.S.C. 3011 with less than a 3-year obligation is entitled to a full-time monthly educational assistance rate of $894.

For reservists who establish eligibility under 38 U.S.C. 3011 or 3012 while a member of the Selected Reserve, the Department of Defense must collect $1,200 from such individuals no later than one year after completion of the two years of active duty service providing the basis for MGIB entitlement. This amount may be collected through reductions in basic pay or another method deemed appropriate by the Secretary of Defense.

In addition, Selected Reservists who are ordered to active duty and serve two continuous years of active duty are potentially eligible for educational assistance under the Reserve Educational Assistance Program (REAP) established under 10 U.S.C. chapter 1607 at the full-time monthly educational assistance rate of $880.80 (rate effective October 01, 2007).

H.R. 1211, the proposed "Resuming Education After Defense Service Act of 2007," would extend MGIB eligibility under 38 U.S.C. 3012 to reservists who simply aggregate more than two years of active duty service within any five year period, with the first active duty orders received during the period September 11,

Views and Cost Estimate H.R. 1211

2001 to December 31, 2008. Unlike other reservists eligible under 38 U.S.C. 3012, the new eligibility category does not require the reservist to serve at least four years in the Selected Reserves after completing the active duty requirement.

H.R. 1211 would require the pay of a reservist be reduced $100 a month for the first 12 months of active duty service, unless the reservist declines MGIB participation.

The new category of eligible individuals under H.R. 1211 would be entitled to one month of educational assistance benefits under chapter 30 for each month of continuous active duty served by such individual after June 30, 1985, as part of the obligated period of active duty on which such entitlement is based and one month of educational assistance benefits under chapter 30 for each four months served by the individual in the Selected Reserve (other than any month in which the individual served on active duty). The rate of full-time educational assistance would be $894.

Impact on Program:
This legislation would increase the pool of reservists eligible for chapter 30 MGIB to include individuals who have aggregated more than two years of active duty service within any five-year period, with the first active duty orders received during the period September 11, 2001 to December 31, 2008. The Department of Defense would need to notify these individuals of their new eligibility and collect the $1,200 buy-in contribution. It would require the individual to make the decision to have their pay reduced during their first 12 months of activation.

Service Views on Proposed Legislation:
We support the concept of allowing reservists to aggregate periods of service in order to qualify for the MGIB. We note that many members of the target population, reservists who have accrued two years of active duty service, may have previously received chapter 1606 or 1607 benefits. Some of the reservists may already qualify for the highest REAP benefit amount of $880.80. By extending eligibility under MGIB to this group, they gain an additional $13 a month at the full-time rate and they would have to have their pay reduced by $1200 to gain MGIB eligibility. Unlike MGIB, REAP eligibility does not require a reduction in pay. While this is not a gain in terms actual dollars, it allows the person electing MGIB to utilize his/her benefit once he/she separates from service. Currently under chapter 1606 and REAP benefits are terminated upon separation from the Reserve.

As currently written, H.R. 1211 would provide for retroactive credit for active duty service and the payments would be made effective date of enactment.

Under H.R. 1211 section (b), Duration of Assistance, this bill proposes to strike all that follows "is entitled to" in Section 3013 (b). This action will remove from the law, the establishment of the duration of entitlement for those eligible under

Views and Cost Estimate H.R. 1211

Section 3012 (a)(1)(C) of title 38. H.R. 1211 fails to re-include, under the section entitled Duration of Assistance, any reference to Section 3012 (a)(1)(C).

Finally, Education Service has concerns regarding Section 2 (d) as it is currently written. Under this section the $1,200 initial contribution is collected at the beginning of the 12 months of active duty service versus an enrollment determination at the end of the active duty period. The election is made at the beginning of the deployment when the service-member, at that time, is unaware of whether or not he/she will ever serve the required 24 months of aggregate service necessary to establish MGIB eligibility.

Estimated Cost:
This bill results in an increase to VA of $1.2 million in the first year, $10.2 million for five years, and $16.8 million over 10 years. In addition, we anticipate a reduction in chapter 1606 and 1607 Reservist benefits totaling $14.8 million over 3 years. This is not a net cost however, as the chapter 1606 and 1607 program costs are reimbursable from DoD. The additional contributions of $1,200 would generate approximately $6.8 million in the first year (FY 2008) and $8.2 million over three years to be deposited in the proprietary receipt account at Treasury. These funds are not transferred to VA; however, they do offset VA outlays for scoring purposes.

Benefits Methodology:
Based on data from the Contingency Tracking System Activation File, there are 17,426 Reserve and Guard members as of August 2007, who aggregated two or more years of activation since September 11, 2001. Of that population, only 5,632, or 32.3 percent, are not currently eligible for chapter 30 benefits from prior service. We projected the possible population that would become eligible through December 31, 2008, by annualizing the total population (17,426 eligible/6 years). We then applied the 32.3 percent to identify the population who would be eligible through December 31, 2008. We further assumed that 40 percent of the eligible population would elect to pay the $1,200 contribution fee that would entitle them to 24 to 36 months of chapter 30 benefits. Using historical usage rates to determine the number of trainees each year, we then calculated obligations based on the chapter 30 average annual payments for veterans at the MGIB two-year rate. Cost of living adjustments were applied to calculate the monthly rate in the out years.

The population of reservists electing chapter 30 are currently eligible for chapter 1606 or 1607 education benefits. We estimated the reduction in obligations in the chapter 1606 and 1607 programs based on the following assumptions from Education Service. On average, a reservist uses 17 months worth of education benefits. For purposes of this cost estimate, we assumed the population would have used 9 months worth of benefits at the time they elect chapter 30 MGIB. The remaining eight months results in the anticipated savings in chapter 1606 and 1607. Although rates range based on the length of activation, we assumed

Views and Cost Estimate H.R. 1211

the chapter 1607 rate of $660.60 paid to those activated between 1 and 2 years, to calculate the anticipated savings per person. By applying this to the total population, we estimate an approximate $14.8 million reduction in obligations for chapter 1606 and 1607. Cost of living adjustments were applied to calculate the monthly rate in the out years.

However, this saving does not affect the increase to VA's appropriation for this proposal as chapter 1606 and 1607 obligations are fully reimbursable from DOD's Education Benefits Trust Fund.

Summary of Caseload and Obligations

	Department of Defense			VA	
FY	MGIB Contributors	Proprietary Receipt Account	Reserve Benefits Saving	Trainees	Obligations
2008	2,253	$ 2,703	$ 12,203	568	$ 1,206
2009	375	$ 451	$ 2,087	1,045	$ 2,276
2010	94	$ 113	$ 534	1,142	$ 2,547
2011				1,000	$ 2,284
2012				801	$ 1,872
2013				655	$ 1,566
2014				585	$ 1,431
2015				520	$ 1,301
2016				471	$ 1,206
2017				439	$ 1,150
Total	**2,722**	**$ 3,267**	**$ 14,824**		**$ 16,838**

Administrative Costs/Staffing Requirement:
If enacted, this bill would create a slight increase in trainees however no additional FTE or subsequent G.O.E would be required.

Contacts:
Robyn Noles, 202-461-9828, Education Service, Strategy and Legislative Development Staff.

For questions and comments regarding the mandatory cost estimate, please contact Katy Mozingo or Rocio Holmes, ORM Benefits Budget Division (244), at 202-273-6265.

ASSESSMENT OF A GI BILL FOR THE TOTAL FORCE

DEPARTMENT OF DEFENSE/DEPARTMENT OF VETERANS AFFAIRS WORKING GROUP

Office of the Secretary of Defense

April 10, 2007

TOTAL FORCE GI BILL FINDINGS
Executive Summary

Assignment from BEC/JEC:
A Working Group, consisting of subject matter experts from the Department of Defense (DoD) and the Department of Veterans Affairs (VA), was tasked with examining a "Total Force" GI Bill proposal, submitted to the Secretary of Veterans Affairs by the Veterans Advisory Committee on Education (VACOE).

Finding:
The working group could not support the specific proposal for the following reasons:

- Some individuals would realize a loss in benefit value by receiving the Basic Benefit Rate for the number months activated when compared to the current payment rules under REAP.
- The VACOE proposal may be an incentive for individuals to leave military service.
- The proposal was silent in areas that should be addressed to insure equity and uniformity to the extent possible.

Attributes of a GI Bill for the Total Force:
However, the working group concludes that a Total Force approach to the educational assistance programs deserves further consideration. If designed properly, a single program, drawing from the best attributes of the current three separate and distinct programs could be preferable in many ways. Such a GI Bill should contain the following attributes:

- Fulfill the critical purposes of the three current programs – recruitment, retention, and readjustment
- Assist in meeting force management objectives of an All-Volunteer Force
- Provide distinct benefit amounts to match levels of military service
- Disadvantage no current program participant

Desirable Features Offered to VA/DoD Leadership for Consideration:
The working group attempted to identify major attributes desirable in a GI Bill for the Total Force. Some major attributes are framed by public policy considerations and require discussion by DoD and VA executive leadership.

- Keeping Reserve eligibility in title 10 for DoD to preserve retention principles
- Moving all funding and program administration rules to title 38
- Granting potential eligibility for all who enter military service
- A tiered payment structure to recognize differing levels of military service
- Limited portability after mobilized service
- Consideration of a user fee to replace the current pay reduction

TOTAL FORCE GI BILL:
Findings from VA/DoD Working Group

Issue:
The Veterans Advisory Committee on Education (VACOE) presented a recommendation to the Secretary of Veterans Affairs proposing a "Total Force GI Bill." Does the proposed new program, one that replaces three currently separate and distinct VA-administered education programs, have sufficient merit to warrant further consideration?

Purpose:
A Working Group, consisting of subject matter experts from the Department of Defense (DoD) and the Department of Veterans Affairs (VA), was tasked with examining a "Total Force" GI Bill proposal. This assessment summarizes the deliberations and consensus achieved.

Background:
VACOE members, observing the changed nature of military service in relation to the education benefits derived from that service, concluded that the time had come to modify two programs that had been in existence for 20 years and incorporate a recently enacted benefit. A formal recommendation was delivered to the Secretary of Veterans Affairs by letter dated July 8, 2005.

Embedded in the VACOE proposal is the belief that problems exist in administering three separate VA-administered education programs to individuals who oftentimes qualify for more than just one of the benefits. Three different sets of rules apply to the same individual who is eligible for the Montgomery GI Bill (MGIB), the Montgomery GI Bill-Selected Reserve program (MGIB-SR), and the Reserve Educational Assistance Program (REAP).

In a response dated August 10, 2005, the Deputy Secretary offered to present the VACOE's concept to the Benefits Executive Council (BEC) and the Joint Executive Council (JEC), two bodies composed of executive leadership from VA and DoD, and recommend the establishment of a joint work group to assess and evaluate the total benefits and costs associated with the concept.

A working group was formed and has met regularly since October 21, 2005. Four objectives were identified and form the basis of this paper. First, as requested, the group wanted to determine whether the VACOE recommendation had merit. Second, the group wanted to examine the feasibility of a single program taking the place of three distinctly different programs. Third, any refinements or modifications to the proposal submitted by the VACOE should be articulated with explanation or rationale. Finally, cost estimates were necessary to complete our assignment.

During our deliberations, members of the working group carefully examined the VACOE proposal and identified several areas that may warrant attention and further examination. Following are concerns or perceived inequities expressed by the VACOE or identified by the working group in exploring the proposal.

- The monthly benefit rate in the MGIB-SR program, when compared to that of the MGIB, has dwindled from 47 percent to less than 29 percent since both programs took effect in 1985.
- Mobilized guard and reserve personnel may have no post-service education benefits (i.e., portability) unless they serve for two or more years and qualify for the MGIB under chapter 30 of title 38, USC.
- Complexities and differences in the programs make understanding them difficult for beneficiaries. Moreover, administering them poses challenges for DoD and VA.
- Some individuals who served on active duty are ineligible for VA education benefits. For instance, Academy graduates are ineligible unless they transfer to the Selected Reserves and commit for six years, or become mobilized for at least 90 days and thus qualify for benefits under the provisions of chapter 1607 of title 10, USC.
- Features and obligations are not consistent and uniform across the programs.

Conclusion:
The working group concludes that a Total Force approach to the educational assistance programs deserves further consideration. If designed properly, a single program, drawing from the best attributes of the current three separate and distinct programs could be preferable in many ways.

However, there are flaws in the VACOE proposal that, when taken as a whole, render it an ineffective attempt to build recruiting, retention, and separation incentives into the same program. In the estimation of the working group, the following flaws make adoption of the VACOE proposal impractical. First, some individuals would realize a loss in benefit value by receiving the Basic Benefit Rate for the number of months activated when compared to the current payment rules under REAP. The working group would not want to disadvantage so many individuals in a Total Force proposal. Second, as proposed by the VACOE, a Total Force program with full portability may actually induce people to leave military service. Any benefit offered should not be an incentive to leave. Finally, the proposal was silent in areas that should be addressed to insure equity and uniformity to the extent possible. The MGIB pay reduction is one example.

Nevertheless, the working group found merit in some aspects of a Total Force GI Bill that recognizes the contributions made by individuals who serve this nation in uniform and rewards them appropriately with sufficient financial support to achieve their educational goals.

Careful Examination of a Total Force Concept
The remainder of this paper summarizes the deliberations of the working group as it attempted to identify major attributes desirable in a GI Bill for the Total Force. Some major attributes are framed by public policy considerations and require discussion by DoD and VA executive leadership. The results of those policy decisions affect any estimate of future costs to implement a GI Bill for the Total Force. A discussion of cost estimates appears in an addendum to this paper.

Principles
The working group's deliberations were guided by the following principles:

- A single program should fulfill the critical purposes of the three current programs – recruitment, retention, and readjustment.
    - It should replace MGIB, MGIB-SR, and REAP.
    - Anyone eligible for those programs would become eligible for the new program on the date a new GI Bill becomes effective.
- Benefit amounts should be commensurate with levels of service.
- If at all possible, converting to a Total Force program should disadvantage no group.

Key Points, Findings, Analyses, and Observations

A. Some attributes of a single program have merit. However, not everything fits neatly into title 38 because of the distinctly different purposes of the programs, a fact acknowledged by the VACOE. Recruitment and retention may conflict with readjustment and transition to civilian life. Therefore, the working group determined that the structure of a GI Bill for the Total Force could vary from that proposed by the VACOE.
    - Eligibility rules for members of the National Guard and Reserve, including those in the Individual Ready Reserve, should remain in title 10, the province of DoD and Congressional armed services committee interests, and could be consolidated into one chapter.
    - Eligibility rules for veterans and active duty personnel should remain in title 38, as is the case at present.
    - Program administration requirements could be consolidated into title 38.
    - "Kicker" rules, including eligibility and amounts, should remain under the purview of DoD.
    - All basic rates and rules governing those rates could be consolidated into title 38 and be made from VA appropriated funds

B. The type and length of service needed to become eligible for a VA education benefit leaves many confused. Indeed, individuals could be eligible for none or all three of the benefits, depending on their commitments and the extent to which those commitments were honored. The working group examined simplifying eligibility criteria, in the following manner, for both ease of administration and explanation.

To become eligible under a Total Force proposal, a person must meet one of the following conditions:

1. Enter active duty in a regular component, or serve full-time in a Reserve component as a member of the Active Guard and Reserve (AGR) program; or
2. Enter, reenlist, or extend for a period of six years in the Selected Reserve and complete Initial Active Duty for Training; or
3. As a Guardsman or Reservist, perform a period of mobilized service by serving on active duty in support of a contingency operation or national emergency or disaster for 90 consecutive days or more when authorized by the President or Secretary of Defense, or, in the case of a member of the Army National Guard of the United States or Air National Guard of the United States in his or her status as a member of the Army National Guard or Air National Guard, full-time National Guard Duty under the provisions of 32 USC 502(f) at the request of the President or Secretary of Defense and supported by Federal funds.

In effect, the Total Force benefit potentially would be available to any individual committing to military service via one of the thresholds listed above. This would include academy and ROTC graduates and would replace the requirement that one must enroll in or decline MGIB. A Total Force program would restore an original GI Bill notion that an education benefit is available to anyone with honorable military service.

C. The working group determined that a single program could incorporate the concept of a tiered approach to the benefit payment rates. This concept was advocated by the VACOE. A tiered benefit approach would convey the principle of benefit amount proportionate with level of military service performed. In addition, all rates should be derivatives of a Basic Benefit Rate. Each tier is outlined below.

- An individual who enters active duty in a regular component or has AGR status would be entitled to the Basic Benefit Rate.
- An individual who enters or extends Selected Reserve service for a period of not less than six years would be entitled to a Reserve Benefit Rate, set at a fixed percentage of the Basic Benefit Rate.
- A Guard or Reserve member who is called for mobilized service as described in B.3 above and remains in the Guard or Reserve, would be entitled to the Mobilized Reserve Benefit Rate as follows.
    - 90 consecutive days of service but less than one year of continuous service warrants a rate equal to 40% of the Basic Benefit Rate.
    - One year of continuous service but less than two years of continuous service warrants a rate equal to 60% of the Basic Benefit Rate.

    - Two continuous years of service or more warrants a rate equal to 80% of the Reserve Benefit Rate.
- A Guard or Reserve member who is called for mobilized service as described in B.3 above, completes the service obligation and leaves the Guard or Reserve, would be entitled to the Separated Reserve Benefit Rate as follows.
    - 90 consecutive days of service but less than one year of continuous service warrants a rate equal to 20% of the Basic Benefit Rate.
    - One year of continuous service but less than two years of continuous service warrants a rate equal to 30% of the Basic Benefit Rate.
    - Two continuous years of service or more warrants a rate equal to 40% of the Reserve Benefit Rate.

D. The working group examined the differing purposes of the current programs and worked to insure that the purposes of a Total Force GI Bill would not be in conflict. The current MGIB-SR and REAP programs were not intended to satisfy the readjustment needs associated with the Active Duty program. However, the working group acknowledged the markedly changed nature of reserve service since MGIB-SR was enacted more than 20 years ago. Activations or mobilizations tend to be more frequent and of longer duration, placing strains on individuals and families perhaps not originally envisioned. This factor is seen by some as blurring the distinction between active and reserve service as they have been traditionally viewed.

Lengthy and frequent active service by Reserve and National Guard members may result in the need for readjustment, or for making up for lost education opportunities as with the current MGIB under chapter 30 of title 38, USC. This suggests an element of readjustment may be suitable for individuals going through demobilization. Portability, then, is allowing separating reservists to carry with them the part of the education benefit earned by performing mobilized service as described in B.3 above.

Although the concept of benefit portability is generally inconsistent with the retention attribute of the MGIB-SR or the REAP, the group agreed that some portability would be appropriate in recognition of a benefit earned solely by virtue of active service in support of a national emergency or disaster declared by the President or Congress. Reserve or National Guard members who have otherwise completed any military service obligation may desire to leave the military after completion of their mobilized service. The working group concluded that any portable benefit should not be so great as to be an incentive to leave the Reserve or Guard. The working group consulted with the RAND Corp. and learned that the incentive to stay must be 1.5 to 2 times the portable benefit. The working group used that information to set the

levels of the Mobilized Reserve Benefit Rate and the Separated Reserve Benefit Rate. Because the Mobilized Reserve Benefit Rate rewards the reserve commitment, the group feels no obligation to pay benefits at the same rate to someone no longer serving. Furthermore, the portable amount should be escalating percentages of the Basic Benefit Rate, depending on the length of qualifying mobilized service.

E. The working group recognized both the positive and negative aspects of the current pay reduction requirements and how they might apply in a Total Force concept. The pay reduction now serves as a source of revenue and demands a positive decision by the service member to enroll in the program for future eligibility to education benefits under MGIB. However, the pay reduction is an irrevocable, non-refundable decision that applies only to those who enter active duty in a regular component and who are eligible to enroll. These disparities lead to confusion and assertions of inequity.

   Consideration should be given to eliminating the pay reduction, or replacing it with a user fee that would apply to all benefit recipients except those who have already enrolled in the MGIB-AD program. Eliminating the pay reduction was first thought to be the proper judgment. However, two issues tempered that view. First, there are cost implications to its elimination. More importantly, eliminating the pay reduction and not refunding the monies already collected could be viewed as inherently unfair if others who declined to enroll in the MGIB suddenly became eligible without the initial financial sacrifice. Consequently, the working group devised a way to replace the current pay reduction.

   - A user fee, a reduction from the monthly benefit, could partially offset the loss of the pay reduction revenue now generated.
   - In addition, a surcharge could be assessed to those who, on date of enactment of the new program, were on active duty and had previously declined enrollment in, or were previously ineligible for MGIB. This would further offset the loss of the pay reduction revenue.
   - Those who have already incurred the pay reduction would be exempt from the user fee.

   The user fee would be subtracted from the gross monthly benefit as opposed to a pay reduction that occurs at the point of lowest military pay. Adopting this mechanism would eliminate any perception of inequity as contended by those who do not or cannot use the benefit. In addition, Reservists would be subject to this user fee. This would place all beneficiaries on equal footing and those who never use the benefit will not be subjected to paying for something they never used.

F. Each current program has a different eligibility period (or delimiting date) and was recognized as an issue to be examined for several reasons. First,

Congress had recently addressed this issue in the Dependents Educational Assistance program by granting 20 years of eligibility to widows or widowers of service members who die on active duty. The eligibility period had been restricted to ten years prior to enacting this change in 2004. Similarly, family obligations may prevent veterans from successfully pursuing their educational objectives during their applicable eligibility period(s). In addition, the notion of lifelong learning has reached public consciousness as a viable tool for retraining or learning new skills. Finally, maintaining awareness over eligibility periods becomes more complicated to the extent an individual is eligible for multiple programs. To standardize this aspect in a Total Force program, the group agreed on the following changes to delimiting dates.

- A person who leaves active duty service with no other military commitment should have 20 years in which to use the benefit.
- A person who leaves active duty and continues with Selected Reserve service should have 20 years after leaving the Selected Reserve in which to use the benefit.
- A person entering Selected Reserve service should retain eligibility as long as he or she remains in the Selected Reserves.
- A person in the Selected Reserve who was never eligible for the Basic Benefit Rate, becomes retirement eligible, and faces mandatory removal should have 20 years after leaving the Selected Reserve in which to use the benefit.

G. The working group examined the issue of months of entitlement because a single program would have the effect of reducing entitlement to those eligible for two or more current programs. In addition, the current practice creates inequities. For example, an eligible person who serves in the Selected Reserve and a qualifying period of activation has a total entitlement of 48 months while another person who serves 10 years on active duty has a maximum of 36 months. By standardizing the granting of entitlement, we have an opportunity to prevent inequities and potentially enhance retention.

Consequently, the group agreed any person completing his or her commitment should have 36 months of entitlement and an opportunity to accrue up to 48 months in any of several ways.

- A person who completes a total of 10 years of active duty service should be entitled to 48 months of benefits.
- A person who completes 10 ***continuous*** years of Selected Reserve service should be entitled to 48 months of benefits.
- A person who completes 6 years of Selected Reserve service after a qualifying period of active duty should be entitled to 48 months of benefits.
- Other combinations of active duty and mobilized service should increase entitlement up to 48 months.

H. Active duty service members have the opportunity to increase their monthly benefit amount by contributing up to $600. This has proven to be a very popular feature and one desired by Guard and Reserve members. The working group suggests this feature be retained in a Total Force program and made available to Selected Reserve personnel.

DoD/VA Working Group to Assess A GI Bill for the Total Force

COSTING ADDENDUM

1. Introduction

In his reply to the VACOE, VA's Deputy Secretary agreed to examine the cost implications of a Total Force GI Bill. Many factors contribute to any cost estimate, but usually only a small number substantially alter projections. The working group identified the Basic Benefit Rate as the primary driver of any cost estimate. Benefit portability, broader eligibility criteria, altering the pay reduction mechanism, lengthened eligibility periods, and increased entitlement are factors the group determined to be significant as well.

At present, benefit payments to service members, veterans, guardsmen, and reservists are estimated to total almost $2.7 billion in 2007 and will approach $2.9 billion in 2010, given the official OMB estimate for growth in the Consumer Price Index (CPI). This becomes the starting point for cost estimates made as a result of changes in the factors mentioned in the paragraph above.

2. Basic Costing Assumptions

- The baseline for cost projections is represented by estimates contained in the 2007 Congressional budget submission.
- A Total Force GI Bill would take effect on October 1, 2009.
- The three separate programs would cease on that date and all participants would automatically convert to the Total Force program.
- Because a majority of reservists appear to be activated for one year, cost estimates were based on one year of activation.

3. Cost Estimate for the VACOE Proposal

The most significant cost components of the Total Force proposal submitted by the VACOE are (1) the full monthly Basic Benefit Rate for the number of months activated, (2) an increase in the monthly Basic Reserve Rate to 35% of the Basic Benefit Rate, and (3) a fully portable benefit at the Basic Benefit Rate for those who leave Selected Reserve Service after a period of activation. The working group developed a cost estimate despite finding the proposal to be impractical.

The current monthly rate under the MGIB, $1,075, serves as the Basic Benefit Rate and becomes $1,154 on October 1, 2009 with each projected 2.4 percent annual rise in the CPI. Paying the full Basic Benefit Rate for number of months equal to months of activation generates an additional five-year cost of $317 million. An MGIB-SR rate pegged at 35 percent (an increase of 22 percent) of the MGIB rate takes it to $404 monthly and generates a cost of $320 million over that same period.

The VACOE proposal is silent on a number of attributes the working group deemed desirable in a GI Bill for the Total Force. For instance, the proposal makes no statement about the status of a pay reduction, so this specific cost estimate assumes the status quo for that attribute.

4. Cost Estimate for an Alternative Total Force Proposal

With an unlimited budget, a return to the original GI Bill would express the utmost appreciation for an individual's military service to this nation. That program paid full tuition and fees as well as a monthly stipend for living expenses. The working group did not research and discuss this option. However, the members examined the qualities of a benchmarking concept endorsed by the VACOE in the past.

The cost of the alternative would depend on where the rate was set for those with an initial active duty commitment (the Basic Benefit Rate); the rate for those reserve members without a qualifying mobilized period (the Reserve Benefit Rate); and the rate for those with such a qualifying mobilized period. The working group decided to examine what the cost would be if the rate for those with an initial active duty commitment was equal to what the Montgomery GI Bill rates are expected to be in 2009; the rate for reserve members without a qualifying period would be set at 35% of the active duty rate. This alternative is a recent alternative and uses 2008 Congressional budget submission Here is that scenario.

- The Basic Benefit Rate for those with an initial active duty commitment would be $1,126 in 2009.
- The Reserve Benefit Rate would be established at 35 percent of the Basic Benefit Rate, or $394 monthly.
- The full-time monthly rates for those with qualifying mobilized periods would be as follows (rounded to nearest dollar):
    - For 90 **consecutive** days of service but less than one year of ***continuous*** service, the rate equals 40 percent of the basic benefit rate, or $450.
    - For one year of ***continuous*** service but less than two years of ***continuous*** service, the rate equals 60 percent of the basic benefit rate, or $676.
    - For two ***continuous*** years of service or more, the rate equals 80 percent of the basic benefit rate, or $901.

It should be remembered that these three mobilization rates would be payable only so long as the individual remained in the reserves. If the individual left the Reserve or National Guard, after completing his or her service obligation, the individual would be eligible for one-half of the mobilized rate following separation.

Thus, someone eligible for the one year rate of $676 who completed his or her service obligation would have a portable benefit amount of $338.

We estimate the first year total cost to the Federal government for this alternative to be $272 million, with an eight-year cost of $4.1 billion. This cost does not take into consideration funding in the Education Benefit Trust Fund (EBTF) nor the annual appropriations in the Department of Defense Budget for contributions to the EBTF.

5. Lower Cost Alternative for a Total Force GI Bill

A Total Force GI Bill could be enacted that carried no significant additional costs. However, as already stated, this would fall short of the VACOE proposal seeking an MGIB-SR rate pegged at 35 percent (an increase of 22 percent) of the MGIB rate.

A "lower cost" alternative using 2008 figures could be structured in the following manner.

- The monthly rate under the Montgomery GI Bill, $1,126 would serve as the Basic Benefit Rate)
- The monthly MGIB-SR rate is $394 representing almost 29 percent of the Basic Benefit Rate.
- The three tiers for mobilized service are $450, $676, or $901.
- Administrative rules could be consolidated into title 38.
- Portability for mobilized reservists who separate after completing their service obligation. Portability rate would be equal to one half of the mobilized rate, or $225, $338, or $451(rounded nearest dollar).
- Pay reductions would continue for those who enter active duty in a regular component, but for no one else.

The increased cost for the Federal government for portability for mobilized reservists would be $14.3 million per year.

Other benefit rate alternatives were discussed and examined. Different scenarios drive cost variations and the group examined other possibilities. For example, tying annual benefit increases to increases in the cost of education rather than the increases in the CPI yields significantly different estimates. The benefit essentially maintains its purchasing power by using the annual rise in the cost of education. However, that rate is about double the CPI. Annual benefit payments of $2 billion in year one increased by 3 percent become $2.25 billion in year five, while that same $2 billion in year one increases to $2.52 billion by year five with a 6 percent annual increase.

If elimination is considered too costly or contrary to good public policy, a user fee described in Paragraph G could replace the current pay reduction. As stated, this alternative is designed to be "revenue neutral" in its application. However, as

the monthly benefit rates increase by the CPI, so to do the user fees because they are a static percentage of an increasing rate. This differs from the current pay reduction, which is static at $100 monthly for 12 months.

QUESTIONS AND ANSWERS SUBMITTED FOR THE RECORD

FEBRUARY 28, 2007

QUESTIONS SUBMITTED BY MR. MCHUGH

Mr. MCHUGH. Explain the congressional logic, if you will, Mr. Secretary—what is the rationale behind the $1,200 payment to participate in MGIB?

Mr. DOMINGUEZ. The Department is able to respond with a partial history of the introduction of the $1,200 pay reduction required to remain enrolled in the Montgomery GI Bill (MGIB). The pay reduction was not included in House Resolution 1400, Chairman Montgomery's original bill. It was introduced in the version agreed to by the Senate and included in Public Law (P.L.) 98–525, the National Defense Authorization Act for Fiscal Year 1985, when the MGIB was established as a three-year test. It remained as a requirement when the MGIB was made permanent in P.L. 100–48. The pay reduction is codified in Section 3011(b) Title 38, United States Code, which states, "The basic pay of any individual . . . . shall be reduced by $100 for each of the first 12 months that such individual is entitled to such pay." It further states, "Any amount by which the basic pay of an individual is reduced shall revert to the treasury and shall not, for any purposes of any Federal law, be considered to have been received by or be within the control of such individual." As a result of this, the $1,200 reduction is pre-tax and pre-Federal Insurance Contributions Act tax.

However, with more than 95 percent of new enlisted Service members choosing to enroll in the MGIB, the current pay reduction does not appear to be a major disincentive for participation in the program. While eliminating the $1,200 reduction in pay would be tantamount to a "pay raise" for our most junior Service members, at a time when they could best use it, it also represents a very sound investment for them. The $1,200 investment can return over $37,000 in educational benefits to those members. The cost of eliminating this pay reduction would be significant, estimated at about $204 million annually, and would have a significant impact on the budget of the Department of Veterans Affairs. Therefore, Department of Defense would defer to that agency on the viability of eliminating the pay reduction.

Mr. MCHUGH. Right now an active force member participating in MGIB can self-fund their kickers. It doesn't have to be a departmental enriched kicker, paid-for kicker. They can put their own money in. But reservists cannot.

Would the department have objections to allowing reservists to self-fund their own kickers, to put skin in the game, using more skin in the game?

Mr. DOMINGUEZ. House Resolution 100 would subtract the $1,200 pay reduction from a veteran's Montgomery GI Bill benefit in the first year of use in calculating eligibility for federal student aid. The Department supports this concept; however, as this provision affects Department of Education funding, the Department defers to that agency's views.

Mr. MCHUGH. Do you have or do they have a time frame on them as to when they are expected generally to come back with the next proposal?

Mr. WILSON. The Veterans Advisory Committee on Education (VACOE) submitted a "Total Force GI Bill Concept" proposal as one of their recommendations to Secretary Nicholson. Subsequently, the VA/DoD Joint Executive Council (JEC) requested that a joint DOD/VA working group be formed to analyze the VACOE proposal. The working group found many attractive elements in the VACOE proposal and prepared an alternative proposal. The working group briefed the JEC in May 2007, regarding their final report, and also released the final report to the VACOE. The Chairman of the VACOE furnished copies of the working group's alternative proposal to House and Senate Veterans Affairs Committee staff members in May 2007.

QUESTIONS SUBMITTED BY MR. MURPHY

Mr. MURPHY. My colleague, Congressman Matheson of Utah, has introduced a bill that deals with a critically important issue that I want to get both of your opinions on.

Many Guardsmen and Reservists across the Nation have served a total of 24 months on active duty in Iraq and Afghanistan. But typically, they serve 24 months over multiple deployments. The current criteria for the Montgomery G.I. Bill eligi-

bility only allows individuals who serve at least 2 years of continuous active duty service to qualify for the full active duty benefit.

Congressman Matheson's bill would allow Reservists and Guardsmen who serve a total of 24 months over a 5-year period on active duty to qualify for the full active duty educational benefit.

I personally think this is an excellent piece of legislation. I am proud to co-sponsor it. Would DOD or the V.A. object to such legislation?

Mr. DOMINGUEZ. House Resolution (H.R.) 1211 would allow members of the Selected Reserve who accumulate more than two years of mobilized service within any five-year period to enroll in the active duty Montgomery GI Bill (MGIB). Currently, members of the Ready Reserve who serve continuously on active duty for two years are eligible to enroll in the active duty MGIB, have their pay reduced by $1,200, and become eligible for the same education benefits that accrue to a Service member who enlists on active duty for a period less than three years. This provision supports the transition/readjustment purposes of the MGIB for both categories of service. We would not support extending this transition/readjustment benefit to members of the Selected Reserve who serve multiple, but shorter, periods of mobilized service. Rather than amending the MGIB eligibility requirement as proposed in H.R. 1211, the Department is considering an amendment to the Reserve Educational Assistance Program (REAP) in chapter 1607 of Title 10, United States Code, that would allow for cumulative rather than continuous service to achieve eligibility for that program. This would essentially yield the same result, except that modifying REAP would not only provide a richer benefit, but would also serve as an incentive for continued service.

Mr. MURPHY. Why are we forcing the recruits to pay the money up front and out of pocket to participate in this program. Has the DOD thought of any alternatives that would not discourage soldiers from enrolling in this program?

And you know, I am assuming that you are intrigued by Ms. Davis's bill, and I would ask for a written response as well within 30 days, if you could both look at it. Do you have any objections to giving a response to Ms. Davis's bill and doing a cost-benefit analysis of that?

Mr. DOMINGUEZ The concept of permitting Reserve component members who are participating in the Montgomery GI Bill (MGIB)—Selected Reserve program to buy additional benefits, similar to the option currently available to MGIB Chapter 30 participants is certainly an intriguing concept, but one that we would need to examine in the context of its utility in assisting the Department in meeting its force management objectives. If it were to be patterned after the Chapter 30 program, a participating member would be able to purchase a total benefit increase at about a one to nine ratio—for every dollar the member would pay, he or she would purchase nine dollars of benefits up to a set maximum, which is $5,400 for the Chapter 30 program. The potential costs to the government of such an option would have to be weighed carefully against the resulting effect on recruiting and retention. We have not modeled the potential effect such a change might have on force management. However, if providing an enhanced benefit would be a cost effective way of overcoming recruiting or retention shortfalls, or help staff under-subscribed career fields, then the Department would be interested in pursuing such an initiative.

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Mr. WILSON. Views and cost analysis is currently in the VA concurrence process.

Mr. MURPHY. Why are we forcing the recruits to pay the money up front and out of pocket to participate in this program. Has the DOD thought of any alternatives that would not discourage soldiers from enrolling in this program?

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Mr. WILSON. We defer to the Department of Education on questions regarding the determination of financial assistance (Title 20 U.S.C.) for veterans and service members.

Mr. MURPHY. It seems to me that we ought to be encouraging the best and the brightest and the most highly trained and educated people to join our military, so how about doing it retroactively—you know, applying the G.I. benefit bills to student loans already incurred, to encourage the best and brightest to serve our country? Has that been looked at?

Mr. WILSON. The National Call to Service Program (NCS) is a recruitment incentive program offered by DoD. The participant may elect from one of four incentives, payable after completing an initial active service period of 15 months plus completion of required training. The incentives include a student loan repayment program that covers a student loan and interest up to a pre-set amount. This program is administered by DoD.

VA administers two other incentive programs offered through the NCS: an education allowance payable of up to 12 months equal to the chapter 30, 3-year rate; and an education allowance payable by VA of up to 36 months of one-half of the chapter 30, 2-year rate.

The election of a particular incentive program is irrevocable.