RSC Republican Study Committee

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# RSC Policy Brief: Expanding the GI Benefit

*May 7, 2008*

In light of the increasing attention over proposals to increase GI benefits and the fact that some version is likely to be included in the Fiscal Year 2008-2009 war funding supplemental, the RSC has prepared the following policy brief to provide Members and staff with relevant information.

**Background:** The original GI bill—the Servicemen's Readjustment Act of 1944 (P.L. 78-346)—was enacted in 1944 to provide educational, housing, and unemployment benefits to veterans reentering civilian life. 7.8 million veterans, many of whom were drafted, received up to $500 per year in educational benefits for tuition, books, and other expenses.

The program expired in 1956, but similar programs were enacted over the next two decades, including the Post-Vietnam Era Veterans' Educational Assistance Program (1976) to dispense benefits for the first time to an all-volunteer force during peacetime to facilitate recruiting. Redesigned to provide for the needs of a professional military comprised of an all-volunteer force in 1984, the renamed Montgomery GI Bill (MGIB) now provides enlisted servicemembers with a minimum of 24 months of service on active duty up to $1,101 per month for up to 36 months to pay for approved college or vocational training courses. However, over the last twenty years, the basic MGIB allowance has increased 193% while the average cost of a four-year public school (tuition, room, and board) has increased by 278%. This has led to many recent proposals to either increase and/or supplement the MGIB programs or provide new alternatives.

**Legislative Proposals:** The main legislative proposals in the House of Representatives are Rep. Stephanie Herseth Sandlin's Veterans Education Improvement Act (H.R. 5684) and Rep. Harry Mitchell's Post-9/11 Veterans Educational Assistance Act (H.R. 5740), the House companion to Senator Jim Webb's S. 22. The highlights of each are as follows:

Rep. Herseth Sandlin's ***H.R. 5684*** is an effort to update the purchasing power of the *current* MGIB program to account for the growth in higher education costs. The bill increases the basic educational monthly allowance under the MGIB to $1,450 for those

on active duty for three years and $1,250 for those on active duty for two years. According to the Department of Education, $1,450 was the total monthly cost of education (tuition, room, and board) for the 2006-2007 School Year. The bill also extends the time for which individuals can take advantage of MGIB benefits from 10 to 15 years and reduces the current enrollment contribution from $100 to $50 per month for the first 24 months (up from 12 months).

In addition, H.R. 5684 creates a new educational stipend—$500 per month for individuals in school half the time and $250 per month for individuals in school less than that. The bill allows individuals who are serving on active duty to use up to $6,000 per year in educational assistance received to repay any federal student loan balance and prohibits any benefits received from counting as income for purposes of determining federal student loan program eligibility.

Rep. Mitchell's ***H.R. 5740*** keeps the current MGIB program in place at current levels but creates an *alternative* entitlement program for those who have served post-September 11, 2001. Specifically, the new entitlement provides up to 36 months in lump-sum tuition payments equal to the highest in-state tuition rate in each state, a monthly housing stipend, and a $1,000 annual stipend for books. The benefit would vary by the institution and the state, but the Pentagon estimates that it would provide a monthly benefit of approximately $2,400—a 117% increase over the current MGIB allowance. Those individuals serving an aggregate of at least 36 months commencing on or after September 11, 2001, or who have been discharged for a service-connected disability after 30 continuous days, would be eligible for the full entitlement. These individuals would also be eligible for a "Yellow Ribbon G.I. Education Enhancement Program" if the tuition payments failed to cover the full cost of their chosen school. The Department of Veterans Affairs and the institution would split the remaining cost. A proportionally smaller entitlement would be extended to those on active duty for less time, so long as the individual serves an aggregate of 90 days after September 11, 2001.

H.R. 5740 also provides up to $1,200 in tutorial assistance to eligible individuals, up to $2,000 to pay for one licensing or certification test, and certain supplemental education services. Individuals would have up to 15 years after the individual's release from active duty to take advantage of these new benefits.

The bill prohibits individuals from receiving educational assistance under H.R. 5740 and other current MGIB programs concurrently. Instead, each individual would elect which program to receive educational assistance from. For those electing to transition from the current MGIB program, the bill would refund individuals for their current enrollment contributions. H.R. 5740 does not require an enrollment contribution.

**Analysis**: The Pentagon has expressed concern about legislation to increase GI benefits, particularly with S. 2, the Senate companion to H.R. 5740, because it may erode its ability to maintain an all-volunteer force. In a letter to Senator McCain, Secretary Gates wrote:

> An important corollary to the GI Bill is the recognition that today, remaining in the military is entirely consistent with the attainment of education goals. Unlike the past, our nation now encourages the fulfillment of college aspirations while serving, thus dealing with readjustment through upfront programs, rather than only after discharge. DoD invests $700 million annually to offer funded, education tuition assistance for our servicemen and women while serving. More than 400,000 members of the armed forces took advantage of such tuition assistance last year. In conclusion, for all these reasons, the Department does not support S. 22.

Similarly, in testimony before the House Veterans' Affairs Committee, Acting Deputy Assistant Secretary of Defense for Reserve Affairs, Thomas Bush, stated:

> The potential benefits of a higher benefit level to recruiting must be carefully evaluated in light of the difficulties some of the Services are currently experiencing in the recruiting market. Attracting qualified recruits using large, across-the-board basic benefits incurs the risk that many who enter for the benefits will leave as soon as they can to use them. If so, lower first term retention could reduce the number of experienced NCOs and Petty Officers available to staff the force, and put added pressure on the recruiting market as additional accessions are required to replace the members who leave.

Furthermore, some argue that the original GI bill was enacted to help veterans who had been *drafted* to readjust to society and that there is a difference between someone who was drafted and someone who has volunteered—especially when volunteering now presents a host of educational opportunities allowing them to serve and learn concurrently. Such opportunities did not exist when the original GI bill was signed into law. If the educational benefits of leaving active duty exceed those of staying, it is not difficult to understand why the Administration believes that an all-volunteer force would be disserved by various bills under consideration by Congress. To be clear, this concern is associated primarily with H.R. 5740, since H.R. 5684's benefit increase is limited to the total cost of education per month ($1,450)—the level which the Pentagon has said positive impacts on recruiting gives way to negative impacts on retention.

However, both H.R. 5684 and 5740 are very costly. According to a preliminary estimate from CBO, H.R. 5684 would cost between $30-50 billion over ten years in increased entitlement spending. According to a similar preliminary CBO estimate, H.R. 5740 would cost $19.5 billion over five years and $51.8 billion over ten years. Some conservatives may be concerned not just with the increased costs of these new benefits but with the fact that they would be enacted as "entitlements," reducing the discretion of a future Congress to make needed reforms in the future.

For instance, entitlements currently consume over 60% of all federal spending and represent one of the largest obstacles to controlling federal spending, the growth of which is unsustainable. According to the General Accountability Office, the federal government has accumulated $52.7 *trillion* in unfunded liabilities that must be met somehow by future generations, which amounts to over $450,000 for every American family. Some conservatives may believe that this already-bleak fiscal picture ought to be

a part of any discussion over increased benefits, and that where increased federal spending is warranted, offsets ought to be included.

Some conservatives may also feel that although the cost of higher education has accelerated in recent years—arguably because of years of sustained increases in federal student loan subsidies—the current MGIB benefit provides a valuable taxpayer-provided benefit. In the 2005-2006 school year, the average cost of a 4-year public and private higher education (tuition, room, and board) was $12,108 and $27,317 respectively. The annual MGIB benefit for that school year was $9,306—covering 75.4% and 31.7% respectively. As a point of comparison, in the 1985-1986 school year, the MGIB covered 87.7% and 36.7% of the cost of such undergraduate education.

**Committee Action:** On April 30, 2008, the House Veterans' Affairs Committee considered and reported H.R. 5684 by voice vote.

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