STATEMENT OF
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ECONOMIC COMMISSION
THE AMERICAN LEGION
TO THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
ON
ENHANCEMENTS TO THE MONTGOMERY GI BILL

MARCH 15, 2006

Mr. Chairman and Members of the Committee:

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

The Servicemen's Readjustment Act of 1944, the GI Bill of Rights, was crafted to meet the needs of a massive demobilization of service members in the post-World War II environment. Often considered one of the greatest pieces of social legislation ever enacted, the GI Bill continues to evolve with each new generation of wartime veterans because of the significant changes in the existing social and economic cultures. The American Legion believes each of these measures offers much needed improvements and provides more flexibility for its beneficiaries - America's former service members.

Enhancement of the Current Montgomery GI Bill

Unlike the original GI Bill, the Montgomery GI Bill normally requires an initial financial contribution from each beneficiary - honorable military service is simply not enough. For one year, those service members that choose to enroll in the Montgomery GI Bill agree to reduce their monthly base pay by $100 to contribute to the program. Upon separation, the Montgomery GI Bill's 10-year expiration clock begins ticking. After 10 years, the veteran is no longer entitled to use the benefit. If the veteran did not take advantage of the program, the service member looses not only the $1,200 contribution, but also the total amount of the benefit. The American Legion, by resolution, supports terminating the current military payroll deduction of $1,200 required for enrollment in MGIB, believing honorable military service is payment enough for this benefit. This resolution also supports providing waivers for extension of the 10-year limitation on use of the Montgomery GI Bill benefits.

Recently, our National Office was contacted by a veteran from Houston, Texas, who had enrolled in a MBA program at Tulane University in 2005. The veteran reported that he had filed a request with the Department of Veterans Affairs for an extension to his Montgomery GI Bill benefits that are set to expire in May of 2006. The young man left the service (Air Force) in 1996, and due to family tragedies (he is presently married with four children) and personal

injuries was not able to use his GI Bill benefits within the ten-year period. Fortunately, the Department of Veterans Affairs is considering his request for an extension. The American Legion applauds this effort and believes that VA should provide a waiver to any eligible veteran beyond the ten-year limit on a case-by case basis, especially in situations where a veteran has experienced family tragedies and debilitating illnesses.

The American Legion supports the following Education Bills currently being considered by Congress:

H.R.717, To Expand the Scope of Programs Eligible for Accelerated Payment under The Montgomery GI Bill

H.R. 717 would amend title 38, United States Code, to expand the scope of programs of education for which accelerated payments of educational assistance under the Montgomery GI Bill may be used. Accelerated payments would go to a qualified veteran enrolled in an approved program of education that leads to employment, such as truck driving. This expansion would give veterans more educational options and a better diversity of vocations.

Not every veteran is destined for college; therefore, the Montgomery GI Bill needs to be more accessible for those veterans with vocational aspirations other than college. The overall costs of these "short-term" vocational training and licensing programs far exceed the monthly stipend provided under the traditional "college-student-for-36-months" approach in the current Montgomery GI Bill.

Veterans should be afforded the opportunity to attend compressed high-front-end-cost programs that will lead to the vocation of their choice. Veterans who attend these programs should have the opportunity to use a portion of their earned benefits at an accelerated rate, but may not be permitted to exhaust all of their earned benefits. Expanded options will also increase utilization of the Montgomery GI Bill that now stands at a little over 50 percent.

In addition, a higher percentage of today's service members are married (with children in the majority of cases) when they are discharged. Meeting the financial obligations to sustain and maintain a household is paramount, and often serves as a major obstacle to their timely use of the Montgomery GI Bill. Every effort must be made to empower these, and every veteran with options to make the best vocational choice to help them achieve the American dream.

The American Legion supports the provisions of H.R. 717 because the current unemployment rate for veterans ages 18 to 24 is 15%, compared to the private sector rate of 8%. Increasing the educational benefit available through the MGIB will provide a better incentive for veterans to complete a program with immediate employment results, without the concern of going into short-term debt. In addition, The American Legion strongly supports the expansion of the program to include other short-term programs of value that could lead to the immediate employment of veterans.

H.R. 745, The Veterans Self-Employment Act of 2005

H.R. 745 would direct the Secretary of Veterans Affairs to conduct a pilot project on the use of educational assistance to defray training costs associated with the purchase of certain franchise enterprises**.**

The American Legion believes every veteran should have an opportunity to become an entrepreneur. With the management and leadership skills gained while on active-duty, veterans are excellent candidates for leading their own businesses.

There is risk in any business, but a franchise often presents a business package that has been tested and found successful in the marketplace, a trademark that is well known, and training for a business novice. A franchise provides an established track record, faster start up, more purchasing power as a group, name recognition, brand awareness, and business support. A franchise also makes it easier for a person to go into business by mitigating the risk, due to support from the parent company.

According to Franchise World Magazine:

- A franchise has a 92 percent success rate after 5 years compared to 23 percent for an independent business;
- The is only one franchise bankruptcy for every 40 independent bankruptcies;
- Although only 3 percent of business in North America are franchises, 40 percent of retail and services is conducted by those franchises; and
- Franchises conduct over $600 billion in sales in North America.

In 1979, the Federal Trade Commission (FTC) adopted a set of rules all American companies must follow when selling a franchise. There must be a disclosure document provided to the buyer that closely follows the demanding disclosure format of the Uniform Franchise Offering Circular. This safeguard provides the buyer with relevant business information that assists the buyer in making a prudent decision.

The training for each type of franchise varies, and there is a cost associated with this training. It is a key component to the success of a franchise buyer. Again, this is another adjustment to the stereotypical use of the Montgomery GI Bill. Veterans are trained to "improvise, adapt, and overcome" as military leaders. To achieve this new approach of empowerment, this Committee must be prepared to take a calculated risk that could make a world of difference to deserving veterans.

The American Legion views small business as the backbone of the American economy. It is the driving force behind America's past economic growth and will continue to be a major factor in the coming years. Currently by some estimates four million small businesses in the United States are owned and operated by veterans. Therefore, The American Legion supports the provisions of H.R. 745, which would assist in the payment of training costs for veterans who consult with the Small Business Administration (SBA).

H.R. 1207 The Department of Veterans Affairs Work-Study Act of 2005

H.R. 1207 would amend title 38, United States Code, to provide additional work-study opportunities for eligible veterans, and for other purposes, including the provision of placement services at an educational institution, counseling and job assistance, and support for the Senior Reserve Officers' Training Corps (ROTC) program.

Mr. Chairman, this program is already extremely successful, but The American Legion believes expanding the work-study opportunities into these additional areas offers additional benefits to both participating veterans as well as the agencies. This amendment would ease veteran's transition from military to civilian life. A majority of veterans suffered salary reductions in departing the military; therefore, the work-study programs are a welcomed income supplement.

Assisting the Senior ROTC program seems logical and natural. This would present an excellent opportunity for the ROTC departments to capitalize on the "hands on" expertise of veterans. Veterans bring unique job skills or experiences lacking in a school department, can help ease the training burden, and contribute to the overall training of future military leaders. These veterans can serve as good role models to the ROTC cadets and provide insights into the military based on their real world experiences. Also, this positive experience may very well influence participants that are former enlisted service members to consider re-entering the armed forces as an officer.

Working with the placement services would expose veterans to "job finding" skills prior to beginning his or her own job search. Listening and learning from job placement professionals may also influence former service members to consider post-graduation employment with the Department of Labor's Veterans' Employment and Training Service (VETS) as veterans employment specialists.

The American Legion supports the provisions of all three bills that were presented to the Subcommittee on Economic Opportunity on May 25, 2005. We understand that the bills H.R.1207 and H.R. 745 have both been referred to the Subcommittee on Military Personnel, and H.R. 717 is still in the Subcommittee on Economic Opportunity awaiting a hearing for a mark-up. The American Legion urges the immediate passage of all three bills by Congress.

Other provisions to enhance any overhaul of the current MGIB

The American Legion advocates that the following provisions must become part of any successful overhaul of the current MGIB:

- **The dollar amount of the entitlement should be indexed to the average cost of a college education including tuition, fees, textbooks, and other supplies for a commuter student at an accredited university, college, or trade school for which they qualify.**

The American Legion supports indexing the monthly MGIB payment to the average costs of college education or trade school tuition. The MGIB would then be adjusted on an annual basis

to include tuition, and other associated costs, and includes a separate monthly stipend. With these provisions, veterans would be provided educational benefits on par with the first recipients of the original GI Bill.

- **A monthly tax-free subsistence allowance indexed for inflation must be part of the educational assistance package.**

Veterans must receive a monthly income stipend in addition to tuition assistance.

- **If a veteran enrolled in the MGIB acquired educational loans prior to enlisting in the armed forces, MGIB benefits may be used to repay existing educational loans.**

The American Legion strongly supports this measure.

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. These historic pieces of legislation, authored by the leadership of The American Legion, enabled veterans to purchase their first homes, attend college, and start private businesses. The emergence of the American middle class, the suburbs, civil rights, and finally a worldwide economic boom can be attributed 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 since 9/11, 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.

One local reservist who recently completed a 14-month tour in Iraq left school after 9/11 because he was told his unit would soon be deploying. He was placed in language training. This same reservist recently graduated from the University of Maryland after eight years, and has accumulated $50,000 dollars in debt. The other half of this travesty is that it took 15 months for him to receive his first GI Bill payment; nevertheless, his immediate plans are to leave the service when his contract ends in 2007.

Background of the Reserve Force

In the twenty years since the Montgomery GI Bill 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 Active Duty Force (AF) 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 that individuals have, beginning with those who serve in the reserve only, extending through those in the reserve who are called to active duty for a

considerable period of time, and ending with those who enlist in the active Armed Forces and serve for a considerable period of time. Since 9/11 more than 480,000 members of the 860,000-member Selected Reserve (SelRes) have been activated.

Today approximately 40% of troops in Iraq are Guardsmen or Reservists. Despite this, the Montgomery GI Bill (MGIB) and the Montgomery GI Bill--Selected Reserve (MGIB-SR) still reflect benefits awarded twenty years ago. The members of the Selected Reserve 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.

Currently, the GI Bill pays the average reservist $297.00 a month for 36 months compared to his active duty counterpart who is paid $1,004.00. With the rising cost of tuition many reservists are forced to apply for government and commercial loans, along with other sources to supplement their GI Bill benefits.

Because most reservists have both careers and families in towns and cities across the country, these activated citizen soldiers face additional burdens as financial and career obligations mount, while their families, employers, and communities frequently face significant sacrifices and hardships as well. This has led to inequitable situations. First, Selected Reserve members and members of the Individual Ready Reserve (IRR) may be called to active duty for considerable periods, but less than two years. When they return to civilian life, what is available to help them readjust? They either have the same $297 per month benefit as those members of the Selected Reserve who never serve on active duty, or they may have nothing at all if their active duty is at the end of their six-year commitment to the Selected Reserve.

Conclusion

As the distinctions between the active and reserve forces continue to diminish, the difference between the active and reserve forces of the GI Bill should dissipate accordingly. Benefits should remain commensurate with sacrifice and service. The American Legion agrees with the concept of the Total Force Montgomery GI Bill which is design to update the GI Bill by incorporating the new security realities of this current open-ended Global War on Terror, and addressing the recruiting and retention issues, which arise from it, to include the expanded role that the reserve forces play in this modern era. The current members of the reserve and active duty forces are being asked to perform in a manner literally unprecedented since WWII.

The American Legion supports, and has a proud history of advocating for, increased educational benefits to members of our Armed Forces.