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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548



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FOR RELEASE ON DELIVERY
EXPECTED AT 8:45 A.M.
THURSDAY, NOVEMBER 8, 1979

STATEMENT OF

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FEDERAL PERSONNEL AND COMPENSATION DIVISION

15E03907

HEARINGS BEFORE THE SUBCOMMITTEE ON
SPECIAL INVESTIGATIONS, COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

ON

DENYING VETERANS' BENEFITS TO CERTAIN FORMER SERVICEMEN,
H.R. 4367

Mr. Chairman, Members of the Committee, it is a pleasure to appear before you today to discuss our report "High Cost of Military Attrition Can Be Reduced," issued to the Congress on February 16, 1979 and to comment on H.R. 4367, which provides that veterans' benefits shall be available only to those who complete their initial obligated tour of duty.

At the request of Senator Harry F. Byrd, Jr., we made a study to determine the total costs associated with first-term attrition--those military members separated before completing their initial enlistments. Attrition is not only costly in terms of recruiting and training new personnel but also for benefits available to servicemen after discharge.

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COST OF ATTRITION

We obtained data on personnel who entered the armed forces during fiscal years 1974 through 1977 and were separated as of June 30, 1978 before completing their enlistments. We estimate that the cost associated with the 444,500 persons who attrited during this period were \$5.2 billion including unemployment compensation and veterans' benefits. About half of those separated early are eligible for lifetime veterans' benefits at an estimated cost of \$2.7 billion.

Generally, new recruits spend six months in training before being assigned to their respective units. The costs incurred during this period and the potential costs for benefits after separation represent the Government's investment which should be amortized over the period of each member's initial enlistment. We amortized the investment over the productive period attritees were assigned with their units. Costs which were not amortized or incurred for those who left during the training period, represent the cost of attrition. The total investment in the 444,500 who left early was \$6.7 billion of which \$1.5 billion was amortized.

POTENTIAL COSTS FOR VETERANS' BENEFITS

Generally, persons who complete over 180 days of active duty and are discharged under honorable conditions

are eligible for many veterans' benefits. We estimated a potential cost of \$2.7 billion for providing lifetime veterans' benefits to 211,500 eligible veterans who attrited from the groups entering during fiscal years 1974 through 1977. We estimated potential costs for up to 50 years based on the average age of our sample (20 years) and the current cost and usage experience for each benefit.

Our cost estimates included dental, medical, compensation, rehabilitation training, education, and burial benefits. Excluded were (1) overhead costs of the Veterans Administration not directly associated with the programs, (2) loan and other programs which experience only minimal costs, and (3) other veterans' benefits not applicable to the sample population.

Veterans Administration officials told us that our cost estimates were generally acceptable.

We did not determine what portion of these costs could have been saved by changing the eligibility criteria as proposed and recognize that about half of the costs were related to individuals with service connected disabilities. However, we believe the cost savings would be substantial.

VETERANS' BENEFITS A REWARD
FOR HONORABLE SERVICE

We support H.R. 4367 not only because of the potential cost savings, but also for the sake of equity.

Individuals who willingly seek an early discharge share, to a large extent, similar veterans benefits as those who complete their tour. We believe this situation is not only inequitable but negatively affects enlisted persons' attitudes about the value of service; their motivation and in turn attrition. Adopting this bill could provide further incentives for young persons to remain in the military and complete their initial tour. It has, therefore, that potential for reducing attrition.

It is also important to note that during the course of our review we discussed such a proposal with military officials, many of whom were responsible for managing attrition in their service. These managers told us they generally supported changing eligibility criteria as proposed in this bill. Based on their experiences they believed that limiting veterans' benefits should not hurt recruiting efforts and could reduce attrition. Those who enlist often do so to obtain training and a job and plan on completing their tour; denying veterans' benefits to those who do not complete their tour should not, officials believe, negatively impact potential recruits' desire to enlist.

We understand that Defense officials have concerns about basing eligibility upon completion of initial enlistments because of the varying enlistment periods--2, 3, 4,

and 6 years. To avoid inequities due to the length of the enlistment contract, the Committee may wish to consider basing eligibility upon completion of a set number of years of active service; we suggest 2 years.

The 2 years would

--allow the services to obtain a return on investment as most individuals would have served in an operational unit, and

--be consistent with the shortest enlistment currently allowable.

This concludes my statement, Mr. Chairman. My colleague and I will be pleased to answer any questions.