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COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON D.C. 20548

B-204142

SEPTEMBER 17, 1981

The Honorable G. V. Montgomery
Chairman, House Committee on
Veterans' Affairs
House of Representatives



116379

Dear Mr. Chairman:

Subject: Alternatives for Funding a GI Bill (FPCD-81-45)

This responds to your request of April 8, 1981, that we provide our views on alternative funding for a GI Bill. As arranged with your office, we are combining your request with that of Chairman Robert Edgar's Subcommittee on Education, Training, and Employment (Mar. 20, 1981). As you requested, we did not obtain agency comments.

Since the end of World War II, millions of GIs were provided financial assistance for postsecondary education through several GI Bills. The purpose of these benefits was to assist the GI's transition into a civilian career. The last GI Bill for Vietnam-era veterans expired in 1976. Although it was not the intent of the GI Bill, during the early years of the All-Volunteer Force the military apparently used it as a recruiting tool to attract high-quality recruits capable of scoring in the top categories of the armed services entrance exams. Since its expiration, there has been considerable discussion on the need to reinstitute a GI Bill, and the Congress is currently considering this option.

The Congress has recently provided substantial support for postsecondary education assistance through the Department of Education's (ED's) student assistance programs. Since 1974, appropriations for these programs have increased from \$1.6 billion to \$5.8 billion in 1981. Enough data exists to suggest that the high-quality high-school graduates the military is seeking to recruit are currently opting for a postsecondary education--often funded by the Federal Government. This report suggests that using a portion of ED's student assistance appropriations to finance a GI Bill would reduce the impact on the Federal budget and could, at least partially, improve the armed services' ability to attract the high-quality youth they need.

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OBJECTIVE, SCOPE, AND METHODOLOGY

We addressed three specific questions:

--What would the armed services hope to accomplish by restoring a GI Bill?

--Where are the quality youth the services believe they need?

--What Federal education programs are aiding these quality youth?

We performed our work between March and July 1981. We identified the armed services' objectives for a GI Bill through discussions with officials in the Office of the Secretary of Defense, the armed services, and the Veterans Administration. We also collected information which documents the armed services' inability to recruit the quality of enlistees desired and the costs of their current educational assistance programs. In addition, from discussions with and documents of the Congressional Budget Office, we obtained data on the projected costs of the proposed GI Bill.

The location of the quality youth the services say they need was determined primarily through discussions with officials at ED. We also obtained national statistics on attendance in institutions of higher education and on several studies which developed profiles of secondary school seniors and college freshman. We also collected information from ED on the purpose and costs for its postsecondary educational assistance programs.

WHAT WOULD THE ARMED SERVICES HOPE TO ACCOMPLISH BY RESTORING A GI BILL?

The common objective of the several GI Bill proposals submitted to the Congress is to provide the armed services with an educational assistance program that would prompt enlistments of more high-school graduates and other individuals who would score high on the armed services entrance exams. The armed services, in principal, support these proposals because their recruiting trends since the end of the Vietnam-era GI Bill in 1976 have not been favorable. Since that time, enlistment statistics show an overall shift of new recruits from the top mental categories to the least acceptable mental category. Mental categories are determined by scores obtained on selected subtests of the Armed Services Vocational Aptitude Battery--the highest score being placed in category I, with the lowest acceptable scores in category IV.

From fiscal year 1976 to fiscal year 1980, recruits scoring in mental categories I and II dropped from 39 percent (about

156,700) to 26 percent (about 93,500). During the same period, recruits scoring in the mental category IV rose from 10 percent (about 40,200) to 33 percent (about 118,700). The Army has experienced the greatest reductions in quality recruits. In fiscal year 1976, 33 percent (about 60,800) of Army recruits scored in mental categories I and II, while only 15 percent (about 27,600) scored in mental category IV. In fiscal year 1980, only 15 percent (about 23,800) scored in categories I and II, while 52 percent (about 82,300) scored in category IV. During this same 5-year period, however, recruitment of high-school diploma graduates for all four services remained relatively constant, although the number dropped slightly from 273,000 in fiscal year 1976 to 243,500 in fiscal year 1980.

Although the purpose of the Vietnam-era GI Bill was to recompense service personnel for their sacrifices during the Vietnam War period, it also served as an effective recruiting device. Consequently, in 1976, the Congress provided the armed services with an educational recruiting incentive, the Veterans Educational Assistance Program (VEAP). Although VEAP aids the services in the recruitment of high-quality youths, it offers substantially less support than the Vietnam-era GI Bill. VEAP, a 5-year test program, will end on December 31, 1981. To qualify, a service member must have entered the service after January 1, 1977, and must have served more than 181 days. Service members choosing to participate may contribute from \$25 to \$100 monthly to a maximum of \$2,700. Upon separation from the service, the member may enroll in any qualified postsecondary educational institution, and VA will match, on a 2-for-1 basis, the service member's contribution. The maximum VA contribution is \$5,400. At the discretion of the Secretary of Defense, additional contributions may be authorized and paid by the Department of Defense. Payments are made directly to the service member while he/she is enrolled in school.

The recruiting statistics since 1976 suggest that VEAP has been less than fully successful in attracting the quality individuals the services claim they need. As a result, the services support a return to a GI Bill which would (1) provide higher educational support funds and (2) eliminate the requirement that individuals contribute to an educational savings account.

Several bills proposing such postservice noncontributory educational benefits have currently been submitted to the Congress. However, only one, the Veterans Educational Assistance Act of 1981 (H.R. 1400), has received congressional action. This bill, as reported by the House Committee on Veterans Affairs, would provide enlistees having a high-school diploma or an equivalency certificate a \$300 monthly stipend for each month of active duty, up to a maximum of 36 months. To qualify, an individual would have to serve 3 years' continuous active duty or 2 years' continuous active duty and 4 years' continuous service

in a unit of the Selected Reserve. A \$600 monthly stipend would be available for those serving 6 years' continuous active duty, or 4 years' continuous active duty and another 8 years' service in the Selected Reserve. The Secretary of Defense would be authorized to increase the monthly benefit by an amount deemed appropriate for individuals serving in a skill or specialty designated as a critical shortage. It would also allow individuals serving 10 or more years to transfer their benefit entitlements to their dependents.

In contrast to VEAP's maximum Federal payment of \$5,400, H.R. 1400 would provide a maximum of \$10,800 in return for 3 years' active service (or 2 years' active service and another 4 years in the Selected Reserve) and up to \$21,600 in return for 6 years' active service (or 4 years' active service and another 8 years in the Selected Reserve). Because of these higher benefit levels and the removal of the VEAP contribution provision, armed services officials told us that a new GI Bill would provide sufficient incentives to prompt additional high-quality youth to enlist and to stay in the service for at least a full enlistment term.

WHERE ARE THE QUALITY YOUTH THE
SERVICES BELIEVE THEY NEED?

Statistics prepared by the National Center for Education Statistics suggest that a large portion of the high-quality people the armed services believe they need are enrolled or projected to be enrolled in institutions of higher education, as shown on the next page.

Actual and Projected Enrollment In High Schools
and Institutions of Higher Education (note a)

<u>Fall of year</u>	<u>Actual high schools</u>	<u>Institutions of higher education</u>
------(000s omitted)-----		
1970	14,632	8,581
1971	15,116	8,948
1972	15,216	9,215
1973	15,380	9,603
1974	15,532	10,224
1975	15,704	11,185
1976	15,727	11,012
1977	15,720	11,284
1978	15,628	11,259
1979	15,245	11,508
1980	14,797	11,611
Projected		
1981	14,298	11,690
1982	13,808	11,670
1983	13,495	11,613
1984	13,422	11,492
1985	13,496	11,358
1986	13,402	11,215
1987	13,103	11,104
1988	12,667	11,048

a/Includes public and private institutions.

Source: U.S. Department of Health, Education, and Welfare,
National Center for Education Statistics, Projections
of Education Statistics 1980.

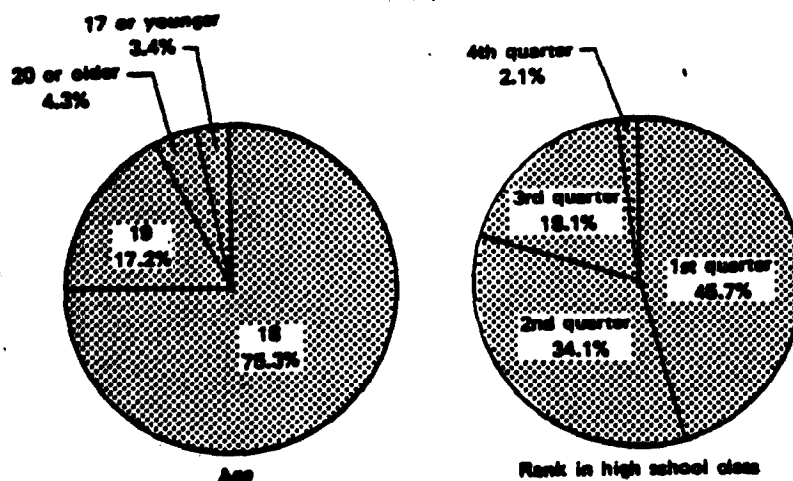
High-school enrollment started dropping in 1977 and is projected to continue dropping through 1988. Because of the projected decline in overall youth population during this period, enrollment will drop about 20 percent. At the same time, however, postsecondary enrollment is projected to remain fairly constant. This indicates that the proportion of high-school graduates who will participate in postsecondary education will get larger; thus, the proportion of high-school graduates who will not go into college and will be available to the military will get smaller. Consequently, without remedial action, the current problems of the armed services in recruiting desired high-school graduates will worsen.

Two surveys performed in 1978 and published by the National Center for Education Statistics add insight to the recruiting

problems the military services are facing. One, a survey of the post-high-school plans of secondary school seniors, indicated that only 4.4 percent planned to serve in the armed services. The remaining 95.6 percent either planned to continue their education or obtain jobs.

The second survey profiles the college freshman class for the fall of 1978. The survey determined that this group possessed two important characteristics that the military is actively seeking-- they are 18 and 19 years old and in the top half of their high-school class.

Selected Characteristics of First-Time College Students:
Fall 1978



Note: Because of rounding, percentages may not add to 100.

Source: The American Freshman: National Norms of Fall 1978.

Other characteristics identified by the survey are that students were unmarried, were not veterans, and attended college within a year of graduation from high school. In addition, many were receiving some form of Federal financial aid.

In combination, these studies and the enrollment data suggest that most of the high-quality individuals the armed services claim they need are not planning to serve in the military, but are attending some form of postsecondary education, often subsidized by the Federal Government.

WHAT FEDERAL PROGRAMS ARE AIDING
THESE QUALITY YOUTH?

The Federal Government provides student financial aid through several programs administered by ED. The primary goal of these programs is the enhancement of postsecondary educational opportunities. The strategy for achieving this goal rests principally on the provision of financial assistance directly to students and indirectly through State agencies and educational institutions.

Financial assistance for postsecondary education is provided directly to students through grants, work-study agreements, and loans. Grants are outright gifts of money to help pay for education expenses, work-study agreements provide part-time job opportunities for students, and loans are provided students either directly by the educational institution or by a private lender. The institution loans are financed directly by ED, and the private loans are guaranteed by ED. Interest is subsidized until the student's education is terminated. Most of the programs are aimed at youths from lower income families.

ED provides benefits through five basic programs: PELL Grants (previously known as Basic Educational Opportunity Grants), Supplemental Educational Opportunity Grants, College Work-Study, National Direct Student Loans, and Guaranteed Student Loans. Eligibility for these programs requires enrollment of at least half time in one of more than 7,500 participating colleges, universities, or vocational and technical schools. With the exception of Guaranteed Student Loans, student aid is awarded on the basis of financial need. Although the actual formula varies with each program, financial need is defined as the difference between the amount of educational expense--tuition, fees, room, board, books, supplies, and other expenses--and the amount the students or their families can afford to pay.

The following table shows that, from fiscal year 1973 to fiscal year 1982, costs have increased from about \$1 billion to about \$5.5 billion. The most substantial increase has been in PELL Grants--increasing from \$122 million to almost \$2.5 billion.

ED Loans and Grants Programs--Total Funds Appropriated

Name of Program	FY 1973	FY 1974	FY 1975	FY 1976	FY 1977	FY 1978	FY 1979	FY 1980	FY 1981	FY 1982
								(note a)	(note a)	(note a)
FELL Grants	\$122,100	\$ 475,000	\$ 840,200	\$1,325,800	\$1,903,900	\$2,160,000	\$2,457,900	\$2,441,328	\$2,820,000	\$2,486,000
Supplemental Educational Opportunity Grants	None	210,300	240,300	240,083	250,083	270,083	340,100	370,000	370,000	370,000
College Work-Study	270,200	270,200	420,000	390,000	390,000	435,000	550,000	550,000	550,000	550,000
National Direct Student Loans	293,000	298,000	329,440	331,960	323,220	325,660	328,900	300,800	200,800	311,000
Guaranteed Student Loans	291,640	398,668	594,200	807,787	357,312	479,663	945,030	1,609,344	1,847,026	1,773,846
Total	\$976,940	\$1,652,168	\$2,424,140	\$3,095,640	\$3,224,525	\$3,670,416	\$4,621,930	\$5,271,472	\$5,787,826	\$5,490,846

(000 omitted)

a/ED's revised FY 1982 budget, March 10, 1981.

Source: Annual Evaluation on Programs Administered by U.S. Department of Education, FY 1980.

OUR OBSERVATIONS AND MATTERS FOR
CONSIDERATION BY THE CONGRESS

As a result of our limited review, we believe that ED's student assistance programs, VEAP, and the proposed GI Bill are all directed at the same limited youth population--college-oriented high-school graduates. All three programs share the common objective of encouraging and supporting the attainment of higher education among the Nation's youth. ED's programs have no quality restrictions but are directed toward helping low- and moderate-income youth. On the other hand, VEAP and the proposed GI Bill have no income eligibility limitation but are intended as an incentive for recruiting and retaining high-quality youth in the services. Although these programs are directed at different groups of people, we believe that the two programs are in direct competition for college-oriented, high-quality, high-school graduates.

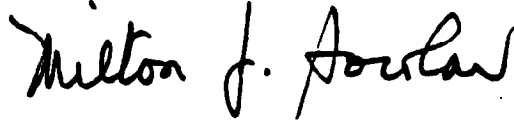
Considering the low participation rates, VEAP has been less than fully successful in attracting high-quality youth into the military services and encouraging them to participate. This is, most likely, because of the relatively low level of benefits and the requirement for a personal contribution. College-bound youth, on the other hand, have had a more attractive alternative in the student assistance programs because these programs do not require military service or a comparable personal contribution. A new GI Bill, such as H.R. 1400, should improve the services' competitive position by substantially increasing the educational benefit and eliminating the personal contribution currently required. The extent that youth will participate in a GI Bill, however, is beyond the scope of this report and is still unanswered.

Should the Congress determine that an improved education incentive is necessary for the military to attract high-quality youth, it could consider using a portion of the funds currently appropriated for ED's student assistance programs. The potential benefit of this approach would be to reduce the impact of a new GI Bill on the Federal budget. Additionally, the improved benefits from a GI Bill could, at least partially, improve the military's ability to attract high-quality youth that are currently opting to attend an institution of higher education.

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Please contact us if you have any questions or if you need more information. As arranged with your office, we are making copies of this report available to the Congress and to other parties who may request it.

Sincerely yours,

A handwritten signature in cursive script that reads "Milton J. Fowler". The signature is written in dark ink and is positioned below the typed name.

Acting Comptroller General
of the United States