

File

22 JUL 1976

MEMORANDUM FOR SECRETARY OF DEFENSE

THROUGH DEPUTY SECRETARY OF DEFENSE

SUBJECT: Title IV - Post Vietnam Era Veterans' Readjustment Assistance Act (Hartke Amendment to the G.I. Bill)

292

Senator Hartke has proposed legislation which would: (1) Increase educational benefits for those eligible for the current G.I. Bill, (2) terminate the current G.I. Bill for those enlisting after 31 December 1976 with protection for those who will have enlisted, but not yet come on active duty on that date, and (3) substitute a two for one matching fund educational savings program for active duty military personnel entering the Service without the conventional G.I. Bill.

Chairman Hartke asked Don Brotzman in a letter dated 6 July 1976 to provide estimates of participation levels and costs, together with comments on the proposed substitute G.I. Bill. Don, in an interim response, explained that we would submit a single DoD report on the proposed legislation.-.

The Administration established a firm position on termination of G.I. Bill educational benefits last year. Informal contact with Don Ogilvie of OMB indicates that Senator Hartke's proposal has not altered that decision to seek total termination.-

Attached is a proposed response to Senator Hartke which would stand firmly behind the Administration, The Navy, Marine Corps, and Air Force concur. The Army, while concurring in the cost estimates, made the following comment:

The Army feels that the current trends in the quality of our accessions (which will be significantly degraded by the loss of the G.I. Bill) and the relatively inexpensive compromise bill proposed by Senator Hartke constitute grounds for a reassessment of the 1975 Administration decision for complete termination of the G.I. Bill.

22 July '76

During the G.I. Bill debates of the past three years, the Army has consistently supported continuation of some form of post-service educational program. However, they understand and have supported the Administration position favoring termination of the G.I. Bill, once it was established. Don Brotzman



N-1035  
57/275

was the Administration witness during termination hearings before Senator Hartke's Veterans' Affairs Committee last October.

If you approve the proposed DoD position of supporting total termination of the G.I. Bill as I recommend, the General Counsel will submit the attached legislative report through normal channels. If on the other hand you believe DoD should support the Hartke proposal, I will work with OMB and the Services to try to get a coordinated position. It may prove impossible, however, to get OMB to accept any position other than termination.

Bill Brehm and Dick Wiley have coordinated in this memorandum.

Decision:

Support Administration Position

WPC

JUL 23 1976

Support Hartke Proposal

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*Sec Def Concurs: Per Mr Woods*

Signed: David L. ...

Enclosure

CDR Hunter/ds/79106/21 Jul 76/3D986

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OFFICE OF THE SECRETARY

JUL 23 1976

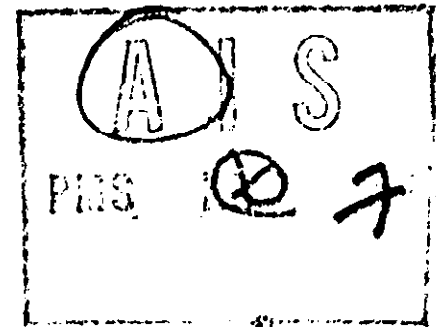
DISPATCH





ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D. C. 20301



MANPOWER AND  
RESERVE AFFAIRS

22 JUL 1976

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THROUGH DEPUTY SECRETARY OF DEFENSE

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57/225

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Bill Brehm and Dick Wiley have coordinated in this memorandum. (See Tab)

Decision:

Support Administration Position

<i>inse</i>

Support Hartke Proposal

JUL 23 1976

*David P. Taylor*

Enclosure

SECDEF CONCURS: AS PER MR WOODS  
Ech

*Signer's  
Jacks*





GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

WASHINGTON, D. C. 20301

*Read*  
*7/22/76*

Honorable Vance Hartke  
Chairman, Committee on Veterans\* Affairs  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman:

Reference is made to your letter of July 6, 1976 to the Assistant Secretary of the Army (Manpower and Reserve Affairs) regarding Amendment 2005 to S. 969, 94th Congress. You requested five year cost estimates and comment on the amendment's Title IV, which is cited as the "Post-Vietnam Era Veterans' Readjustment Assistance Act of 1977." As Mr. Brotzman indicated in his interim reply of July 9, 1976, the views of the military departments have been incorporated in this single Department of Defense report.

Title IV would ~~save~~ <sup>result in</sup> about \$750 million <sup>(as)</sup> ~~as compared to total termination~~ <sup>in outlays</sup> from effective date of January 1, 1977 through the end of FY 1982. This would be the result of many participants contributing while on active duty, but relatively few using their post-service benefits during these early years of the new program. In steady state Title IV would cost about \$300 million per year. This would be at least \$1 billion per year less than the current G.I. Bill, but still \$300 million more than complete termination. *(How would the cost in the event of termination?)*

*Contributions being credited from the pay of*

Enclosed is a paper summarizing the specific use and cost data you requested. *pay*

The Department of Defense supports the President's request for total termination of G.I. Bill educational program for new accessions. A peace-time G.I. Bill is not a cost-effective enlistment incentive. If there is an additional \$300 million available for All Volunteer Force incentives, we would like the option of using it for ~~business or in recruiting and advertising~~ <sup>business or in</sup>. With in-service use precluded, the educational program proposed in Title IV of your amendment would act as a reenlistment disincentive, since those who would have participated in the savings program would be required to leave active duty to use their benefits.

The termination feature of the proposed amendment would provide benefits for those who enlist in the military prior to the effective date of termination, but do not come on continuous active duty until subsequent to that date. This feature would allow the Services to keep faith with those who have signed contracts under the existing set of incentives.



developing new or expanding current enlistment incentives or in recruiting and advertising programs

In summary, the Defense Department supports the termination features, but does not support the substitute G.I. Bill, proposed in Title IV of your amendment to S. 969.

Sincerely,

Enclosure





GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE

WASHINGTON, D. C. 20301

Honorable Vance **Hartke**  
Chairman, Committee on Veterans' Affairs  
United States Senate  
Washington, D.C. 20510

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Reference is made to your letter of July 6, 1976 to the Assistant Secretary of the Army (Manpower and Reserve Affairs) regarding Amendment 2005 to S. 969, 94th Congress. You requested five year cost estimates and comment on the amendment's Title IV, which is cited as the "Post-Vietnam Era Veterans' Readjustment Assistance Act of 1977." As Mr. Brotzman indicated in his interim reply of July 9, 1976, the views of the military departments have been incorporated in this single Department of Defense report.

Title IV would result in about \$750 million less in outlays from the effective date of January 1, 1977 through the end of FY 1982, than would be the case in the event of total termination. This would be the result of contributions being deducted from, the pay of many participants while on active duty, but relatively few **using** their post-service benefits during these early years of the new program. In steady state Title IV would cost about \$300 million per year. This would be at least \$1 billion per year less than the current G.I. Bill, but still \$300 million more than complete termination.

Enclosed is a paper summarizing the specific use and cost data you requested.

The Department of Defense supports the President's request for total termination of G.I. Bill educational program for new accessions. A peace-time G.I. Bill is not a cost-effective enlistment incentive. If there is an additional \$300 million available for All Volunteer Force incentives, we would like the **option** of using it for developing new or expanding current enlistment incentives or in recruiting and advertising programs. With in-service use precluded, the educational program proposed in Title IV of your amendment would act as a reenlistment disincentive, since those who would have participated in the savings program would be required to leave active duty to use their benefits.

The termination feature of the proposed amendment would provide benefits for those who enlist in the military prior to the effective date of termination, but do not come on continuous active duty until subsequent to that date. This feature would allow the Services to keep faith with those who have signed contracts under the existing set of incentives.



In summary, the Defense Department supports the termination features, but does not support the substitute G.I. Bill, proposed in Title IV of your amendment to S. 969.

Sincerely, ✓

Richard A. Wiley

Enclosure





## Use and Cost Data

### Title IV - Post Vietnam Era Veterans' Readjustment Assistance Act

There is no direct experience upon which to make use and cost estimates for such a contributory program for post-service educational benefits. The following data represents the estimates of headquarters based on current data available and with only minimal field research on this specific proposal.

Table 1 shows the estimated use and outlay cost by fiscal year for FY 1977 (after January 1, 1977) through FY 1982 and for steady state. Table 2 reflects accrual obligations in TOA for the same periods. The use and cost estimates for both tables represent changes from the levels under total termination, and are based on the following assumptions:

(1) Participation levels expressed as percentages of accessions after the effective date, as shown in table 3.

(2) Half of the officer participants and half of Army and Marine Corps enlisted participants will be on three year contracts, all others are, on four year contracts.

(3) 90% of participants will use 75% of their benefits within 10 years after discharge.

(4) Half of eligibles will begin use within one year after discharge.

(5) Remaining 40% of eligibles will use benefits evenly over remaining nine years.

(6) The contributions of the 10% of eligibles who do not use program and the remaining contributions of those who use only part of their benefits will be refunded 10 years after discharge.

(7) 10% of the participants will reenlist deferring use of their benefits.

(8) Full-time users will expend nine months of benefit per year.

(9) Contributors will average \$750 per year per person.

(10) Users will expend \$1687.50 per year for full-time student or \$2,250 per manyear (three times contribution rate).

Tables 4, 5, and 6 provide more detail by Service.



Table 1  
 Cost and Use Summary  
 Title IV-Post Vietnam Era Veterans' Readjustment Assistance Act  
 (Compared to Complete Termination)

	<u>FY 77</u>	<u>N 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>N 81</u>	<u>FY 82</u>	<u>Steady State</u>
Contributors (Man Years, 000's)	35.9	146.3	236.6	279.7	294.0	294.0	294.0
Users (Man Years, 000's)	0	0	.1	4.4	29.7	63.5	220.5
Receipts (Outlay \$M)	-26.9	-109.7	-177.4	-209.8	-220.4	-220.4	-220.5
Payments (Outlay \$M)			.2	9.9	66.8	142.8	520.9"
Total (Outlay \$M)	-26.9	-109.7	-177.2	-199.9	-153.6	-77.6	300.4

\*. Includes refunds of disenrollees 10 years after discharge.

Table 2  
 Accrual Cost Summary in TOA \$ Millions

	<u>N 77</u>	<u>N 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>N 81</u>	<u>FY 82</u>	<u>Steady State</u>
Projected Obligations	36.7	149.5	241.8	285.8	300.4	300.4	300.4

Table 3  
 Assumed Participation

	<u>36 Months</u>	<u>24 Months</u>	<u>12 Months</u>	<u>Totals</u>	<u>Accessions</u>
<b>Army</b>	25%	<b>10%</b>	10%	45%	160K
<b>Navy</b>	5%	5%	5%	15%	104K
USMC	2 5 %	10%	10%	45%	48K
USAF	25%	5%	5%	35%	81K
Officer	10%	10%	10%	30%	<u>25K</u>
<u>Weighted Average</u>	<u>19%</u>	<u>8%</u>	<u>8%</u>	3 5 %	<u>418K</u>



Table 4  
Participation Levels Comparisons  
 Contributions (Man Years in 000's)

	<u>'FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>N 81</u>	<u>FY 82</u>	<u>Steady State'</u>
Army	17.5	71.9	116.9 ✓	138.8	147.0	147.0	147.0
Navy	4.5	17.2	25.7	29.2	30.0	30.0	30.0
USMC	5.2	21.2	34.2	40.3	42.0	42.0	42.0
USAF	6.3	26.7	44.7	54.1	57.0	57.0	57.0
<u>Officer</u>	<u>2.4</u>	<u>9.3</u>	<u>14.8</u>	<u>17.3</u>	<u>18.0</u>	<u>18.0</u>	<u>18.0</u>
Total	35.9	146.3	236.6	279.7	294.0	294.0	294.0

Table 5  
Users (Man Years in 000's)

	<u>N 77</u>	<u>N 78</u>	<u>N 79</u>	<u>N 80</u>	<u>N 81</u>	<u>FY 82</u>	<u>Steady State</u>
Army	0	0.03	0.09	3.1	19.1	30.4	110.2
Navy	0	0	0	0	1.3	5.9	22.5
USMC	0	0.01	0.03	0.9	4.7	10.4	31.5
USAF	0	0	0	0	2.5	12.5	42.8
<u>Officer</u>	<u>0</u>	<u>0</u>	<u>0</u>	0.3	<u>2.1</u>	<u>4.3</u>	<u>13.5</u>
Total	0	0.0	0.1	4.4	29.7	63.5	220.5



Table 6  
Cost Comparisons By Service  
 Cost Compared To Total Termination (\$M)

	<u>FY 77</u>	<u>FY 78</u>	<u>FY 79</u>	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>Steady State</u>
<u>Enlisted</u>							
Army	-13.1	-53.8	-87.5	<b>-97.0</b>	-67.2	-41.8	148.9
<b>Navy</b>	-3.4	-12.9	-19.3	-21.9	-19.6	-9.2	30.4
USMC	-3.9	-15.9	-25.5	-28.2	-20.9	-8.1	42.2
USAF	<u>-4.7</u>	<u>-20.0</u>	<u>-33.5</u>	<u>-40.6</u>	<u>-37.2</u>	<u>-14.7</u>	<u>57.6</u>
Total Enlisted	-25.1	-102.6	-165.8	-187.7	-144.9	-73.8	279.1
<u>Officers</u>	<u>-1.8</u>	<u>-7.0</u>	<u>-11.1</u>	<u>-12.3</u>	<u>-8.8</u>	<u>-3.8</u>	<u>21.3</u>
TOTAL	-26.9	-109.6	-176.9	-200.0	-153.7	-77.6	300.4





DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON, D.C. 20310

9 JUL 1976

Honorable Vance Hartke  
Chairman, Committee on Veterans' Affairs  
United States Senate  
Washington, D.C. 20510

Dear Mr. Chairman,:

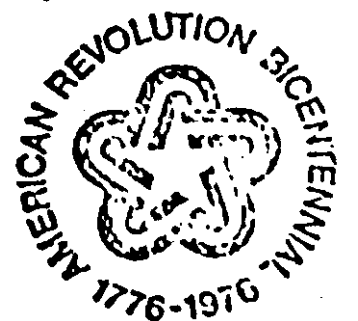
This is an interim reply to your correspondence of July 6, requesting **the** Army's comments on Title IV of your proposed amendment to S969. Since this issue is a matter of special interest to both the **Department** of Defense and the Administration, I have forwarded your letter to Dave Taylor, the Assistant Secretary of Defense (Manpower and **Reserve** Affairs).

I appreciate the fact that you have solicited the Army's comments; however, under established practices the positions of the Services will be **merged** into a single position of the Department of Defense. It is **therefore**, proper for the OSD staff to obtain data from each of the **Services** and to develop the DOD position regarding your proposed amendment, **My** staff is currently working with that of Secretary Taylor to develop the information you requested.

Sincerely,

Donald G. Brotzman

Assistant Secretary of the Army  
(Manpower and Reserve Affairs)



VANCE HARTKE, IND., CHAIRMAN

HELMAN E. TALMADGE, GA.  
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FRANK J. FRIZZI, STAFF DIRECTOR  
GUY H. MC MICHAEL III, GENERAL COUNSEL

## United States Senate

COMMITTEE ON VETERANS' AFFAIRS

WASHINGTON, D.C. 20510

July 6, 1976

Honorable Donald G. Brotzman  
Assistant Secretary of the Army  
Manpower and Reserve Affairs  
The Pentagon  
Washington, D.C. 20310

Dear Mr. Brotzman:

4  
Enclosed is a copy of Amendment No. 2005 intended to be proposed by myself and Mr. Stafford to S. 969. This amendment, which is in the nature of a substitute and may be cited as the "Veterans' Education and Employment Act of 1976", will be considered by the Committee on Veterans' Affairs shortly following the end of the July congressional recess.

You will recall that you appeared before the Committee on October 2, 1975, to testify and answer questions concerning the effect of a prospective termination of GI bill benefits. Included in the Amendment No. 2005 is Title IV which may be cited as the "Post-Vietnam Era Veterans' Readjustment Assistance Act of 1977". This measure would generally terminate as of December 31, 1976 chapter 34 benefits for those entering the service and substitute a new less costly chapter 32 contributory vesting benefit program.

So that the Committee may have the benefit of the views of the Department of the Army, we would appreciate your written report on Title IV of the "Veterans' Education and Employment Act of 1976" by July 20, 1976. In this connection, we would also appreciate your estimate of the five-year fiscal costs for this title as contemplated by the Legislative Reorganization Act of 1970 together with the information of how you computed this cost and all assumptions utilized. Members of the Congressional Budget Office will be in touch with your staff members in the near future to help coordinate and expedite cost estimates.

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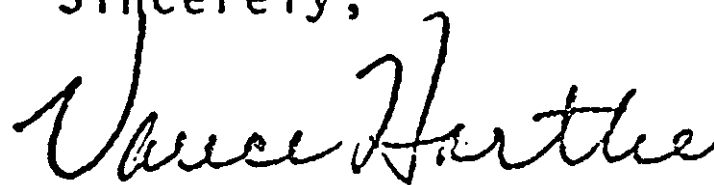
Honorable Donald G. Brotzman

Page 2

July 6, 1976

Although there has been considerable discussion concerning such a program between the Department of Defense and the Congressional Research Service, who were acting on behalf of this Committee, I realize that time constraints imposed by the Committee's needs will require expedited action by you. Thus, I want to thank you in advance for your efforts in securing the views of the Department of the Army for the Committee's consideration when it meets to consider the "Veterans' Education and Employment Act of 1976".

Sincerely,



Vance Hartke

Chairman

