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VEAP! The Shocking, True Story of a Major Policy Decision

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VEAP

THE **SHOCKING**, TRUE STORY OF A MAJOR POLICY DECISION

- The **Post-Vietnam Era Veterans Educational Assistance Program** (**VEAP**) was enacted by Congress to provide educational fund-matching to Armed Forces personnel after the Vietnam conflict. It replaced the Vietnam-era "GI Bill."
- VEAP had a three-fold objective:
 - (1) to provide educational assistance to those men and women who enter the Armed Forces after December 31, 1976, and before July 1, 1985;
 - (2) to assist young men and women in obtaining an education they might not otherwise be able to afford; and
 - (3) to promote and assist the all-volunteer military program of the United States by attracting qualified men and women to serve in the Armed Forces. (38 US Code § 3201)
- Designed originally as an "experimental" program
 - Unprecedented in scope, scale, and stated objectives
 - First "GI Bill" not tied to wartime service
 - First "GI Bill" created for an all-volunteer military
 - First official recognition of "GI Bill" as a recruiting incentive!
 - First "GI Bill" designed explicitly as a social program for financially-needy persons
 - First "GI Bill" to make benefits available to active-duty members and reservists from the outset
 - First federal program to require voluntary personal contributions with matching benefits
 - No similar program or experience to draw upon
- Created with a "Sunset Provision"

What is **VEAP?**

- The original "GI Bill of Rights" (Servicemen's Readjustment Act of 1944) had the following objectives
 - Help vets readjust to civilian life and deal with high unemployment (12 million men returning from war)
 - Compensate vets (draftees) for their "lost time" while serving nation
 - Help vets get education and training missed while at war
 - Key concept: readjustment and compensation
- Comprehensive package now associated primarily with Veterans' Education Benefits (the "GI Bill")
 - WWII GI Bill called "One of the most successful social programs in the history of the nation."
 - 20-25% of WWII vets would not have attended college without it
 - Estimated \$4 return on every \$1 invested; many millions of users
 - Credited with *numerous* accomplishments both on a personal and national level

GI Bill: Background

O V E R H E R E

HOW THE G.I. BILL TRANSFORMED THE AMERICAN DREAM

PULITZER PRIZE WINNING AUTHOR
EDWARDHUMES

"The G.I. Bill opened college education to the masses, transformed America from a nation of renters into a nation of homeowners, and enabled an era of prosperity never before seen in the world. Doctors, teachers, engineers, researchers and Nobel Prize winners who had never considered college an option rewrote the American Dream thanks to this most visionary legislation."

"Humes is alert to the G.I. Bill's failures as well. For example, black vets were shunted into vocational training rather than college and were systematically redlined away from the new suburbs. Humes has a political point to make: the bill, he says, was an enormous giveaway program by big government, one that cost a fortune while reaping an even larger fortune for the country."

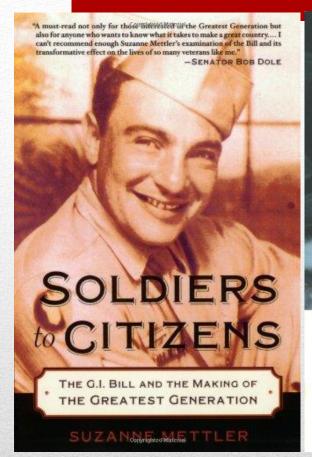
G*I* BILL

A NEW DEAL FOR VETERANS

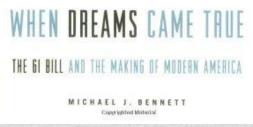


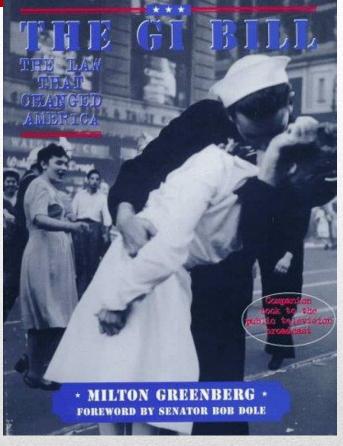
"On rare occasions in American history, Congress enacts a measure so astute, so far-reaching, so revolutionary, it enters the language as a metaphor. The Marshall Plan comes to mind, as does the Civil Rights Act. But perhaps none resonates in the American imagination like the G.I. Bill."

"Perhaps most important, as Peter Drucker noted, the G.I. Bill 'signaled the shift to the knowledge society."









"The G.I. Bill has been hailed as the Marshall Plan for America. It offered to pay college expenses for military veterans returning from World War II, making it a stairway to the middle class that was soon utilized by millions. The result was a social revolution leading to suburbia and even to our present information age."



Almanac: The GI Bill

CBS Sunday Morning

https://www.youtube.com/watch?v=fgtvMceoimU



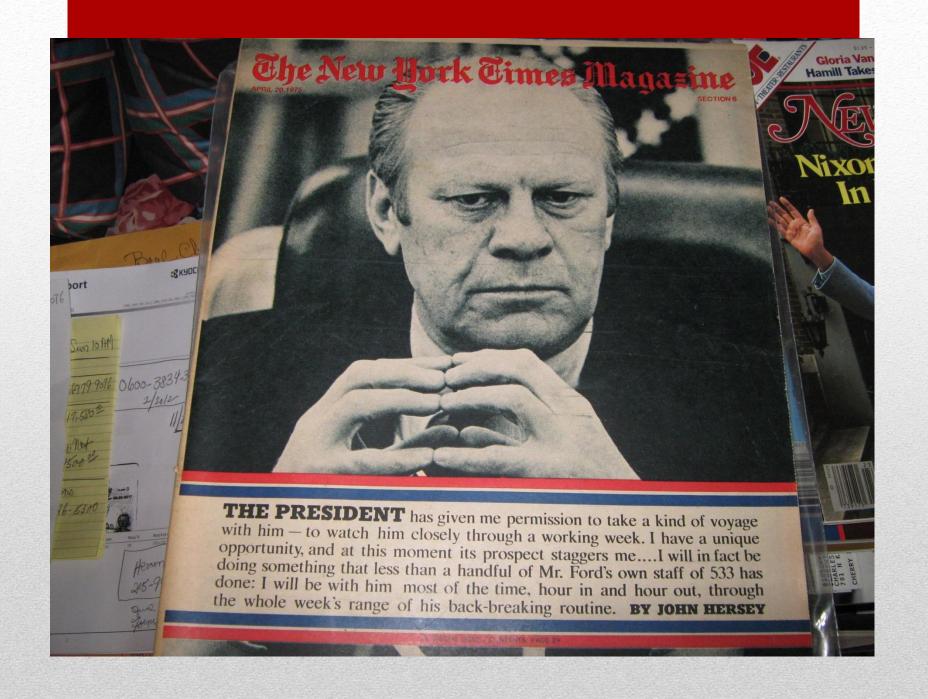
https://www.youtube.com/watch?v=7_vv7GwVkAU

- World War II, 1944-1956
- Korean GI Bill, 1952-1965
- Post-Korea and Vietnam-Era GI Bill, 1966-1989
- **VEAP**, 1976 (1977)-Present
- Montgomery GI Bill (Various Versions), 1985-Present
- Reserve Educational Assistance Program, 2005-Present
- Post-9/11 GI Bill, 2008-Present

GI Bill Programs Over Time

- End of Draft (1972-1973)
- All-Volunteer Service Means "Fewer Benefits"
- Changed Purpose of "GI Bill"
 - For Wartime Service and Conscription: Readjustment and Compensation
 - Evolved Into Enlistment Incentive
 - Irony: GI Bill Benefits as a Retention Disincentive
 - In 1968, GI Bill Accounted for 27 Percent of All Federal Aid for Students increasing to 53 Percent by 1976
- Cost of GI Bill and Abuses
 - FY 1976 (Peak Year for GI Bill Usage): > \$6B for 3M Enrollees
 - Abuses Claimed: Hobbies (Flight School); "Color TV" Sets; Falsified Claims; And So On
 - End of Vietnam War Requires Drastic Cost-Cutting Measures

"End" of the GI Bill: Setting



- Meeting Between President Ford and SecDef Schlesinger (*The President* by John Hersey) Reveals Ford's Intentions
- President Declares End of "Vietnam Era," Terminates Vietnam War Benefits, Sends Legislation to Congress that Would End GI Bill Education and Training Benefits Entirely (May 7, 1975)
 - Expected to Save \$1.5B Over Next 5 Years
 - Considered Historically Consistent
- Many Congressmen Outraged; Veterans Most Upset
- Studies Initiated Quickly; DoD, Army Take Lead; Options Weighed
 - Army Earlier (March 1975) Estimates Drop in HSDG Recruits from 70
 Percent to 47 Percent; Drop in AFQT I-IIIa (Average and Above) Recruits
 from 60 Percent to 44 Percent; Rise in AFQT IV Recruits (Lowest
 Acceptable Score) to Over 18 Percent
 - Army Estimates Added Cost of *At Least* \$182M (Equivalent to \$790M in 2014) Annually to Loss of Quality Recruits

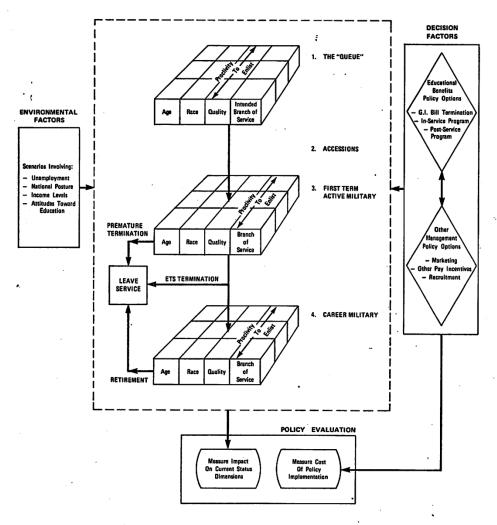
Beginning of the "End"

- Hearings by House Committee on Veterans Affairs
- House Testimony Weak, at Best, from Veterans Groups
 - VA: Supports President; VFW: Opposes; American Legion: Supports President; National Alliance of Concerned Veterans: Opposes; Fleet Reserve Association: "Appreciates the need to terminate veterans' wartime benefits."
- Some Dissent in Congress, But President Carries the Day
 - House Votes to End GI Bill Under Suspension of the Rules
 - Baton Passed to Senate

Middle of the "End"

Policy Impact Model, 1975

EDUCATIONAL BENEFITS POLICY IMPACT MODEL



- Senator Vance Hartke (Dem, IN) Fights to Keep GI Bill
- Hearings by Senate Committee on Veterans' Affairs
 - DoD Testimony Ambivalent; Interesting Conflict: How to Get a Message Across While Maintaining Loyalty to President
 - Two Days of Testimony; Follow-Ups in Other Cities
- Hartke and Guy McMichael (Committee's General Counsel)Work Directly with DoD
- Hartke Really Likes "Contributory Vesting" (CV)
- The Infamous "John Bull" Incident of March 1976

THE NAPKIN ANALYSIS

- Hartke Asks for Study of CV, Writes to CRS
- Eitelberg Sets Up Study with CRS
 - Visit 30 Sites for Data Collection over 60 Days; Complete Project in 172 Days
 - Total Cost: \$30K (Equivalent to \$123K in 2014)
- Study *Rejected* After Considerable Review. Actual Conclusion by Director:

"We can't afford to fund a study for every congressman's half-baked ideas. And this doesn't stand a snowball's chance in Hell of ever passing!"

End of the "End"

Actual Table (Decision Matrix) Used in Meeting with Chair, US Senate Committee on Veterans Affairs

POST-SERVICE G. I. BILL ALTERNATIVES

NAME (In Order of Decreasing Costs)	CURRENT G.I. BILL	ONLY UNDER- GRADUATE COLLEGE CLASSROOM	SERVICEMAN- CITIZEH- RESERVIST	MATCHING CREDIT	CONTRIBUTORY VESTING	STUDENT LOAN	SCHGLARSHIP INSURANCE	TERMINATION (DoD IN-SERVICE ONLY)	
Concept	Readjustment and compensation for all veterans	Limit readjust- ment to under- graduate college	Limit readjust- ment to veter- ans who main- tain active Reserve status	Limit readjust- ment to those who earn aca- demic credit while on active duty	Readjustment on cost-sharing basis	Apply G.I. Home Loan approach to education	Apply the SGLI/ VGLI concept to education	Terminate war era readjustment bene- fits (Post Service)	
Congressional Action Req'd	No action	Modify current G.I. Bill	Hodify current G.I. Bill	Modify current G.1. Bill	New legislation	New legislation	Medify SGL1 or new legislation	Modify current G.I. Bill (Post Ser- vice termination)	
Administrative Agency	V. A.	V.A	V.A. & DoD	V.A.	V.A.	V.A. & DoD	Commercial con- tract to V.A.	None	
Program Feàlures	No change	Exclude Voc/Tech Training, Grad- uate Education, Correspondence	Exclude all but Sec/Def-appro- ved Reserve programs	Restrict to a 2 to 1 match for in-Service credit earnings	Provide option for active duty member to have withholding to be matched by V.A. funding	Interest and guarantee paid by DoD	DoD contribution to premiums in relation to DoD needs	None for post-Ser- vice but G.I. Bill in-Service still requires decision	
Cost Range F new users Avg. S per pers. Angual S	200–300K \$4–6K \$800–1600M	100-150K \$5-8K \$500-1200M	30-120X 54-6K \$320-720N	100-150K \$3-4.5K \$300-680M	80-120K \$3-5K \$240-\$00M	80-120K \$3-5K \$240-600H	15-30K \$4-6K \$60-180M	O (Exclusive of in- service & transi- tion costs)	
Advantages	- Effective operating program - Tax return on investment	- Maintains effective operating program	- Reserve en- listment in- centive - Readjustment for emergency call-ups	- Encourages reenlistment	- Focused on those commit- ted to educa- tion - Current policy issue in NIE	Participatory	- Commercially administered - Flexible with Defense re- quirements	- Lowest cost - Maintains in- Service education	
Disadvantages	- Highest cost - Abuse of pro- gram	- Discrimina- tory against non-college eligibles - minority bias	Discrimina- tory readjust- ment require- ment	- Ability to gail credits will vary according to job responsibilities, time requirements, and accordingly of educational programs	those who have ability to save	- may be called discriminatory in AVF environ ment Low recovery rate - May involve high administrative costs		impact - Loss of potential recruits	

NOTE: BEST FEATURES OF SEVERAL PROGRAMS MAY BE MERGED IN ANY DESIRED PROGRAM
- 24 March 1976 -

MATEH 2 for! \$ 700 X 2 = \$5,400 10 month high: 80%

- The End of an Era
 - 2 AM, Minutes Before Thanksgiving Recess: GI Bill Benefits Ended and the "Hartke Substitute" (Title IV) Passed
- The Post-Vietnam Era Veterans' Educational Assistance Program
 - \$2,700 + \$5,400 = \$8,100
 - 2 for 1 Matching; \$50 to \$75/Month Contribution
 - The "Kickers" (ability of DoD/Services to supplement)

THE VERY SAME PROGRAM DEVELOPED ON A NAPKIN AT THE JOHN BULL RESTAURANT IN ALEXANDRIA, VA IN MARCH 1976! SAME DOLLAR AMOUNT, MATCHING SCHEME, CONTRIBUTION REQUIREMENTS—EVERYTHING!

End of the "End" (cont)

- Crisis Containment at Pentagon
- "The New GI Bill" Gets a New Name: VEAP? "It'll never stick!"
- Army Takes Off; Other Services Reluctant
 - The Army's Savings Pass Book
 - Pushed Hard in Army Recruiting Literature
 - Army Tests Various Incentive Packages and Options
- The Goals of VEAP vs. the Program Elements: Do They Fit?
 - Provide Educational Assistance to Veterans
 - To Assist Young Men and Women in Obtaining an Education that they Might Not Otherwise be Able to Afford
 - To Promote and Assist the AVF by "attracting qualified men and women to serve in the Armed Forces"
- Surge of Delayed Entry Program Recruits, Especially at the Very Last Minute (Midnight, December 31, 1976)
 - FY1977 Recruiting Goals Met Well Before End of Year
- Then, Enlistments Plummet; Recruit Quality Falls; Many Predictions Ring True
 - Coincides With Other Problems, 1976-1980
 - The "Hollow Force"
- Major Push to Bring Back Conscription, 1979-1980

The Aftermath

Could you use \$8,100 for college?

Or for vocational or technical school? Or for other courses to further your education?

That's what the new Veterans Educational Assistance Program is all about.

Under VEAP, Uncle Sam will give servicemen or women two dollars for every one dollar they save for education.

For example, if they save the minimum of \$50 a month, Uncle Sam will add an extra \$100 per month to their education account. A total of \$150! That's 2 for 1 for education.

The person who contributes the maximum of \$75 a month for three years will build up \$8,100 in his account with Uncle Sam's matching funds added in.

So the military services not only offer young people job-skill training, a good paycheck, and a chance to work up to their potential, but also an opportu-

nity to continue their education. For more specifics about VEAP and other educational opportunities in the services, see your local Army, Navy, Air Force, or Marine recruiter.

VEAP. You get a lot more out of it than you put in.

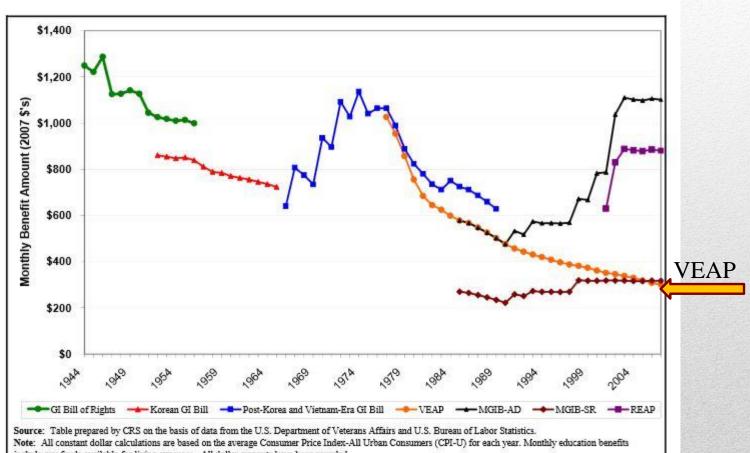
Here's how VEAP works:

Your contribution	You save	2-for-1 Government contribution	Total
After One Year \$50.00 a month \$60.00 a month \$75.00 a month	\$ 600.00 \$ 720.00 \$ 900.00	\$1200.00 \$1440.00 \$1800.00	\$1800.00 \$2160.00 \$2700.00
After Two Years \$50.00 a month \$60.00 a month \$75.00 a month	\$1200.00 \$1440.00 \$1800.00	\$2400.00 \$2880.00 \$3600.00	\$3600.00 \$4320.00 \$5400.00
After Three Years \$50.00 a month \$60.00 a month \$75.00 a month	\$1800.00 \$2160.00 \$2700.00	\$3600.00 \$4320.00 \$5400.00 (Maxin	\$5400.00 \$6480.00 \$8100.00 num Amount)



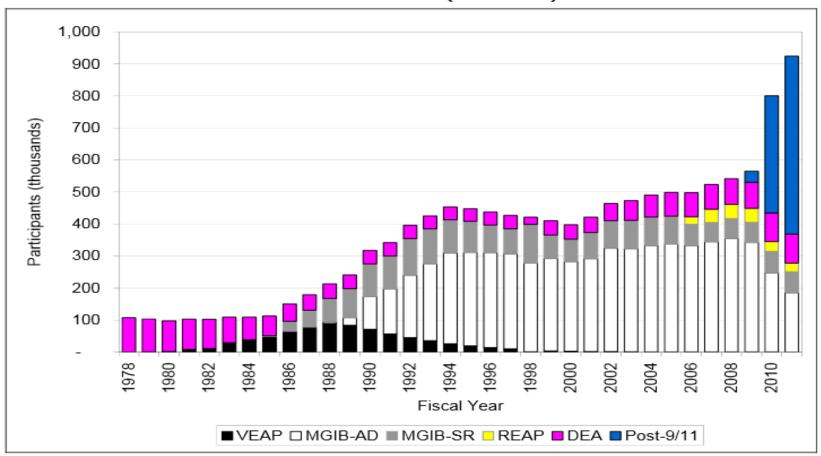
ACCY-CATY-AIR FORCE-BARGES

Figure 1. Veterans' Education Program Monthly Benefit Amounts: Constant 2007 Dollars, 1944-2007



include any funds available for living expenses. All dollar amounts have been rounded.

Figure 1.TotalVeterans, Active-Duty Servicemembers, Reservists, and Dependents Receiving VEAP, MGIB-AD, MGIB-SR, REAP, DEA, and Post-9/11 GI Bill Education Benefits each Year (1978-2011)

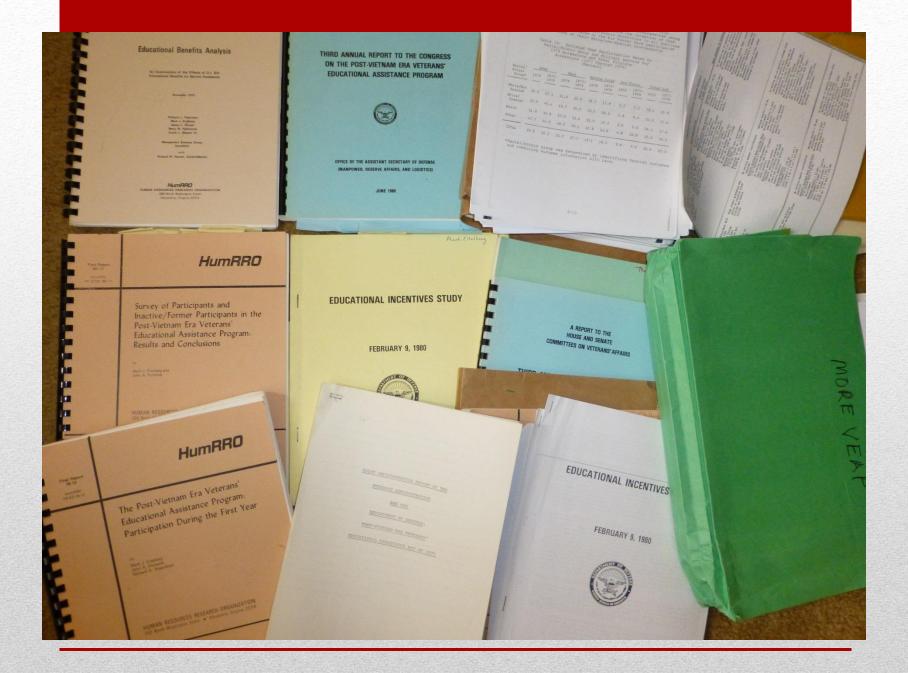


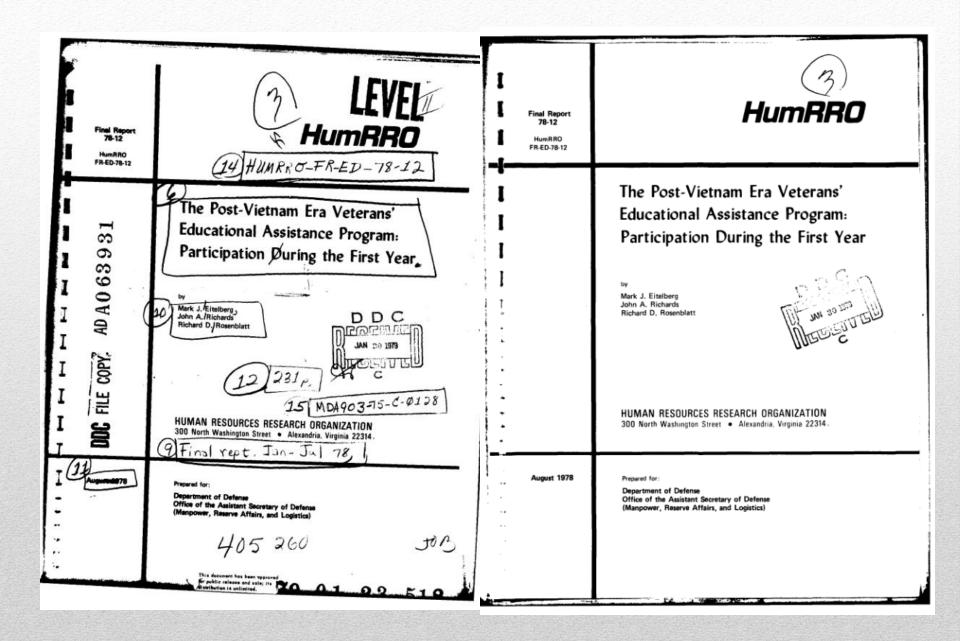
Source: Department of Veterans Affairs' Annual Reports 1978-1997; data provided to CRS by the Department of Veterans Affairs, 1998-2008; Department of Veterans Affairs' Veterans Benefits Administration Annual Benefits Report FY2010; and the President's Annual Budget Request FY2013.

Notes: Beneficiaries may receive benefits in more than one year and from more than one program in the same year.

- Implementation Reports to Congress
- Enrollments Disappointing; Disenrollments Rising
 - VEAP Participation Rates through 1979: Army, 30 Percent; Navy,
 27 Percent; Marine Corps, 19 Percent; Air Force, 7 Percent
 - Married Personnel Least Likely to Participate; Racial/Ethnic Minorities More Likely than Majority to Sign Up
 - Higher Rates for HSDGs, Those with Some College, AFQT Is;
 Also Higher for AFQT IVs
 - Disenrollment Highest Among Minorities, Married Personnel with Dependents, Persons Who Chose Lowest Contribution Level
- Survey Reveals Significant Problems and Wide Differences Between Services
- Changes Recommended: modify limits, rules, caps
- Changes Made

Follow-Up: Too Little, Too Late





DEPOSITORY

96th Congress }

SENATE COMMITTEE PRINT NO. 30

IMPLEMENTATION OF THE POST-VIETNAM ERA VETERANS' EDUCATIONAL ASSISTANCE ACT OF 1977

AN ANNUAL JOINT REPORT

PREPARED BY THE

VETERANS' ADMINISTRATION

AND THE

DEPARTMENT OF DEFENSE

(Pursuant to Section 1642 of Title 38, United States Code)

SUBMITTED TO THE

COMMITTEE ON VETERANS' AFFAIRS UNITED STATES SENATE



AUGUST 1, 1980

Printed for the use of the Committee on Veterans' Affairs

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At the request of Congress, the Office of the Assistant At the request of Congress, the Office of the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics) conducted a study of current and potential educational incentives under the All-Volunteer Force (AVP). Conclusions about the utility of VEAP were deferred until the completion of the ongoing five-year 'experiment' (including the VEAP 'kickey' 5, 1988). However, the Educational Incentives Study (February 9, 1988) to Commended, along with several proposals for the enhancement excessions of the Secretary of the Secretary Specialic modifications to VEAP:

 Change the range of contribution from \$50-to-\$75
per month to \$25-to-\$100 per month. (Although the
Study recognized that a reduction of the individual
contribution level and retention of the \$2-for-\$1 matching fund policy might reduce the educational benefit too much and thus diminish its "attractiveness" as an enlistment incentive.)

2. Allow first-term use of VEAP benefits. 2. Allow first-term use of VEAP benefits by participants until they have completed their first tierm of service or served six years, whichever is less. In a related area, the Department of Defence recommended that 100 percent in-service twition assistance be made available to first-term military personnel who participate in VEAP.)

The results of analyses presented in this report on VEAP The results of analyses presented in this report on VEAP underscore the recommendations of the <u>Educational Incentives</u> <u>Study</u>. The DoD VEAP surveys, for example, show that one of the most desired "changes" in VEAP among current participants would be an increase in the maximum monthly contribution limit to be an increase in the maximum monthly contribution of those who have scoped making VEAP payments would I ike to see a reduction in the minimum required monthly contribution.

Statistics on enrollments, disenvoliments and suspensions, and the responses to the DoD VERP surveys reveal that VERP is "inequitable" as well as the control of the surveys of the survey A reduction of the required minimum monthly contribution is one way to lessen the "financial burden" of participation and thus make it possible for more servicemembers to take advantage of VEAP benefits.

Although the results of analyses presented in this report do not particularly support changes to allow for first-term use of VEAP benefits, they do support the need for a careful reassessment of the program structure as a whole and possible changes to enhance the program's overall "attractiveness."

Data suggest that the program influences the enlistment decisions of a small subgroup of quality youth. Even though the real value of educational assistance available through VEAP has fallen considerably since 1977, participation rates increase with each passing year—and there is some evidence that service-members with advanced education and higher mental aptitude scores are attracted to the program. At the same time, (a) many high-quality servicemembers demonstrate no interest in the program at all; (b) voluntary continuation rates show that a majority of all (I) vigureary continuation rates above the happing of participants stop making contain undercurrent of "dissatisfaction" with both the administration of the program and the program itself among those who elect to participate; and (d) there are indications that virtually all VEAP participants see the need for some "change" or improvement in the program.

One change in the program which would strengthen its appeal as an enlistment incentive and encourage greater participation is an increase in the level of educational assistance. Benefit increases are now being tested on a limited basis through the VEAP "kicker" experiment. The results of this experiment are expected to show whether enhanced VEAF incentives can indeed assist the AVF in attracting high quality youth to military service.

An important finding in the DoD VEAP surveys concerns the expressed need by VEAP participants for more and better informa-tion on the program. In addition, the results of the two surveys suggest that a relatively large proportion of new recruits do not "learn" about VEAP before they process for enlistment or arrive at the recruit reception station.

The Department of Defense will evaluate current outreach efforts and take further action to ensure that sources of information on VEAP are complete, accurate, and readily available to both potential recruits and active duty personnel.

In the event that VEAP is extended beyond 1981 and the Department of Defense assumes the funding responsibility for the program, several areas in which the current law is silent will need to be clarified. For example, it is not clear whether the Department of Defense will assume the funding responsibility for all those who draw benefits after December 31, 1981 or only those who enroll in the program after that date. In the absence of any change in the current law or specific agreement between the Veterans Administration and the Department of Defense, it appears that all funding responsibility will shift to the Department of Defense. In addition, since the current law is silent with respect to any funding responsibilities of the

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Coast Guard, the Public Health Service, or the National Oceanic and Atmospheric Administration (the uniformed members of which share eligibility for VEAP benefits), it appears that the Department of Defense will be required to assume VEAP costs for personnel in these agencies.

These and other matters will have to be settled if VEAP is continued. It will thus be necessary to hold negotiations between the agencies concerned, resulting in legislative proposals or budget requests to Congress based on the agreed

- Military Education Assistance Seminar, Rayburn House Office Building (October 9, 1980)
 - Sponsored by CBO (David Chu)
 - Keynote Address: Richard Danzig
 - Panel on VEAP:
 - Dr. Singer, OSD
 - Mr. McMichael (Chief Counsel, VA)
 - Dr. Moskos (Northwestern University)
 - Dr. Huck (CBO Analyst)
 - Dr. Eitelberg (HumRRO)
 - Secrets Revealed
 - On the DC Metro
 - WHAT? *WHAT*?

Reforming Education Benefits

CBO-Sponsored Seminar, 1980 (Note Distinguished Participants)

AGENDA

MILITARY EDUCATIONAL ASSISTANCE SEMINAR

Rayburn House Office Building

October 9, 1980

9:00 - 9:15 a.m.	Opening Remarks	Room	2118
9:15 - 10:00 a.m.	Panel 1 "Military Enlistment Market" Panelists: Al Martin, OSD Dave Grissmer, Rand MGen Maxwell Thurman, Army	Room	2118
10:00 - 10:45 a.m.	Question and Answer Period		
11:00 - 11:45 p.m.	Panel 2 "Financial Aid for Post-Secondary Students' Panelists: Robert Deane, AMS Inc. David Longanecker, CBO James Moore, ED		2118
11:45 - 12:30 p.m.	Question and Answer Period		
12:30 - 2:00 p.m	Luncheon Guest Speaker - Richard Danzig, OSD "All-Volunteer Force Issues"	Room	B-354
2:00 - 3:00 p.m.	Panel 3 "VEAP and Proposed Modifications/Alternative Panelists: Neil Singer, OSD Guy McMichael, VA Prof. Charles Moskos Mark Eitelberg, HumRRO Dan Huck, CBO		2118
3:00 - 4:00 p.m.	Question and Answer Period		
4:00 - 4:15 p.m.	Closing Remarks - David Chu, CBO	Room	2118

- Study by Army DCSPER: Importance of Enlistment Reasons (August 1979)
 - The Fatal Flaw: Case of Not Doing "Homework"
 - Aftermath
- Shining the Apple: Army College Fund
- Saving Money? At What Cost?
 - "What we have here is the GI Bill without the GI!"
- Recognizing Mistakes
 - Montgomery GI Bill: The "GI Bill" Returns!
 - Post-9/11 GI Bill
- Navy Program: Where's the Logic?
- VEAP benefits eventually used by over 800,000 veterans!
- Today's Common Wisdom

Postscripts

What are the lessons of this SIOCILIA tale?

What Did We Learn?



Mark J. Eitelberg, Professor of Public Policy at the Naval Postgraduate School, Monterey, California, prepared this presentation for *in-classroom use only*.

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The views, opinions, and findings presented here do not necessarily reflect those of any government department or agency.

Date presented or updated: 2016