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

FOR RELEASE ON DELIVERY
EXPECTED AT 9:00 A.M.
MONDAY, APRIL 28, 1980



112213

STATEMENT OF

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FEDERAL PERSONNEL AND COMPENSATION DIVISION

HSE03909

HEARINGS BEFORE THE SUBCOMMITTEE ON
COMPENSATION, PENSION, INSURANCE AND MEMORIAL AFFAIRS
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

ON

[BILLS TO DENY VETERANS' BENEFITS TO CERTAIN FORMER SERVICEMEN]

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 bills which provide 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.

I would like to point out here that future cost avoidance based on current veterans' benefits and the proposed changes would be lower. Congressional modifications of the veterans' education program have substantially reduced the cost of this benefit. I also want to emphasize that, under the proposed changes, individuals with service connected disabilities would continue to receive full veterans' benefits.

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.

Possible substantial
cost avoidance

The Veterans Administration publishes a pamphlet entitled Federal Benefits for Veterans and Dependents which identifies

all of the available benefits and the eligibility criteria for each benefit. Our analysis of this pamphlet showed that veterans who did not complete their enlistment would still be eligible for the following benefits

- Hospitalization
- Nursing home care
- Alcohol and drug treatment
- Domiciliary care
- Outpatient medical treatment
- Outpatient dental treatment
- Prosthetic appliances
- Contributory educational assistance program
- GI loans for homes, condominiums, and mobile homes
- GI Life Insurance
- Veterans group life insurance
- Burial in national cemetery
- Headstone or gravemarker
- Presidential memorial certificate
- Guarantee of premiums on commercial life insurance

As part of our study for Senator Byrd, we did not determine the total cost savings which could be achieved by changing the eligibility criteria as proposed in HR 4367 and HR 6688. However, we believe the savings would be significant. For example, eliminating the lifetime medical, dental and burial benefits

alone for the 125,000 early attrites each year would save an estimated \$215 million.

VETERANS' BENEFITS A REWARD
FOR HONORABLE SERVICE

We support the intent of the proposed legislation 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, and their motivation. Also, we do not see this measure as an attempt to erode their benefits. Just the opposite is true. The legislation would, in fact, reinforce the concept that service is worthy of reward by granting benefits only to those who have productively served in the Armed Forces. We also want to emphasize that individuals who are separated for service connected disabilities would receive full benefits regardless of their length of service.

Adopting a bill to deny veterans benefits to certain former service members could also provide further incentives for young persons to remain in the military and complete their initial tour. It has, therefore, that potential for reducing attrition. 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.

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 are pleased to see support from Defense and service officials for lengthening the period of service for eligibility for veterans benefits.

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.

SUMMARY OF
REMARKS

In conclusion, Mr. Chairman, while we support the thrust of both bills under consideration we favor establishing a specific time period for eligibility as it could be more equitably

administered than basing eligibility upon reasons for discharge. Adoption of a bill with our recommended amendment would, we believe, have the potential for substantial cost avoidance, would provide an additional incentive and reward for productive service in the Armed Forces and would, therefore, have the potential for reducing attrition.

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