STATEMENT OF
JACK McCOY
DIRECTOR, EDUCATION SERVICE
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE HOUSE VETERANS' AFFAIRS
SUBCOMMITTEE ON ECONOMIC OPPORTUNITY
May 25, 2005

Good afternoon Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to present the Administration's views on three bills that would affect Department of Veterans Affairs (VA) programs providing veterans' benefits and services. Accompanying me today is Mr. Dean Gallin, Deputy Assistant General Counsel.

H.R. 717

Additional Accelerated Payments of Educational Assistance Under the Montgomery GI Bill

Mr. Chairman, I will begin by addressing H.R. 717. Section 1 of this bill would expand the programs of education for which accelerated payment of educational assistance may be made under the chapter 30 Montgomery GI Bill (MGIB) program. Specifically, this measure would permit accelerated payment of the basic educational assistance allowance to veterans pursuing a commercial driver's license training program.

Under current law, an MGIB participant pursuing high-cost courses leading to employment in a high technology occupation in a high technology industry has the option of receiving an accelerated benefit payment. This optional lump-sum accelerated benefit payment may cover up to 60 percent of

the cost of such a course, provided the pro-rated course costs exceed 200 percent of the applicable monthly MGIB rate. The lump-sum payment is deducted from the veteran's MGIB entitlement balance in the same manner as if paid on a monthly basis.

Mr. Chairman, this section of the bill would authorize accelerated payment only for one type of training program that does not lead to employment in a high technology industry, i.e., a commercial driver's license training program. It is not clear to us why an accelerated payment is appropriate for this type of training, in particular, or to the exclusion of other non-high technology, high-cost programs. Thus, absent a showing of need therefor and because we do not believe such piecemeal change to the current law is appropriate, we cannot support section 1 of H.R. 717.

If enacted, VA estimates section 1 would cost $644 thousand during FY 2006 and $6.6 million over the period FYs 2006-2015.

Exclusion of Chapter 30 MGIB Education Benefits from Income for Eligibility Determinations for Federal Education Loans

Section 2 of H.R. 717 would exclude educational assistance payments received under the chapter 30 MGIB program from consideration as income when determining the eligibility of a veteran for education grants or loans under other provisions of Federal law.

Under the Higher Education Act of 1965 (20 U.S.C. §§1070 *et seq*.)(HEA), VA education benefits are not counted as income when determining eligibility for any type of student aid under Title IV of the HEA. However, the HEA does require that VA education benefits be counted as a resource or estimated financial assistance for the Title IV campus-based programs and for unsubsidized Stafford Loans, respectively. VA education benefits are not included in the determination of eligibility for Pell Grants or subsidized Stafford loans.

VA supports the concept of appropriately excluding VA education benefits not only as income, but also from consideration as available assets or other

monetary resources for the purpose of determining eligibility for, or the amount of, student assistance under Title IV of the HEA. We strongly believe that the determination of need for student financial assistance should not diminish the value of VA education benefits, which are earned through service in our Nation's Armed Forces. Rather, student financial assistance should be made fully available to such VA beneficiaries without regard to their separate VA education benefit entitlement. In our view, such provisions more appropriately should be included within the HEA. Accordingly, we look forward to discussing this approach with the Department of Education for consideration as part of the Administration's HEA reauthorization proposal.

However, we note that this bill's focus only on an exclusion from "income" would not yield the presumably intended effect, since these benefits are not now included as "income"--this bill would not affect the current law provisions requiring that these benefits be considered as "other financial assistance" when determining a veteran's entitlement to unsubsidized Stafford loans and campus-based aid. VA and the Department of Education can provide technical drafting assistance to the HEA authorizing committees if needed.

H.R. 745

Veterans Self-Employment Act of 2005

Mr. Chairman, the second bill under consideration today, H.R. 745, would establish a five-year pilot project, to be implemented no later than 18 months after the date of enactment of the bill, to test the feasibility and advisability of allowing the use of educational assistance benefits under chapters 30, 32, and 35 of title 38 and chapters 1606 and 1607 of title 10, United States Code, to pay for training costs associated with the purchase of a franchise enterprise. The measure provides for a lump-sum payment to the individual of the lesser of one-half of the franchise fees or one-third of the benefit amount corresponding to the individual's remaining program entitlement. The number of months of entitlement charged an individual would be equal to the number determined by dividing the

total amount of educational assistance paid such individual for such training costs by the full-time monthly institutional rate of educational assistance such individual would otherwise be paid under the applicable chapter. H.R. 745 would prohibit payment of educational assistance for franchise training unless appropriate training is required and provided in connection with the purchase and operation of a franchise and unless both the training and the training entity are approved by VA. State approving agencies, in lieu of VA, may approve the training and training entity using the bill's criteria. Not later than the end of the third year of the proposed pilot project, the General Accountability Office would be required to submit a report to Congress containing the results of periodic evaluations of the project conducted by that Agency.

VA appreciates the objective of H.R. 745, but has concerns about its efficacy in that regard, as drafted. While we recognize and acknowledge the pilot nature of the proposed project, we believe this measure merits further study and refinement. For example, as noted above, it would pay training costs equal to one-half of the franchise fees or one-third of the individual's remaining entitlement. However, this appears to assume that training costs generally comprise half of the franchise fee, yet we have no evidence that this is the case. Also, it is our experience that franchise fees usually do not reflect a finite allocation for training expenses. Without the costs associated with the purchase of a franchise enterprise being classified into separate categories such that those associated with required training are disclosed, the pilot project would lack a means of assessing whether the payments to be made would bear a reasonable relationship to the actual training costs the individual would incur. Thus, a breakdown of the training cost portion of the franchise fee should be a requirement for approval.

Further, we note that, pursuant to 38 U.S.C. §3452(e)(2), on-job training benefits are provided to eligible veterans undergoing training required for the purpose of ownership or operation of a franchise that is the objective of the training. Clearly, those individuals should not also receive benefits under the proposed pilot program for the same training. H.R. 745, however, contains no

provisions addressing this issue by, for example, requiring an election of benefits or precluding pilot program benefits when other benefits are available for franchise training.

Since, as indicated above, we believe H.R. 745 needs substantial further study and consideration, VA cannot support the bill at this time.

If enacted, VA estimates H.R. 745 would result in readjustment benefit costs of $7.5 million over the period FYs 2007-2012 with GOE costs estimated at $3 million for computer system upgrades and administration of the pilot project in FY 2006.

H.R. 1207

Department of Veterans Affairs Work-Study Act of 2005

Provision of Additional Areas of Work-Study for Veterans

Under current law, VA makes additional educational assistance allowance payments (so-called work-study allowances) to eligible individuals who agree to perform certain specified services, such as assisting in outreach to service members and veterans regarding available benefits. To participate, the individual must be pursuing a program of rehabilitation, education, or training under chapter 30, 31, 32 or 34 of title 38 or chapter 1606 or 1607 of title 10.

Section 2 of H.R. 1207 would expand the term “work-study activity” for qualifying individuals to include (a) the provision of chapter 31 placement services at an educational institution (under the supervision of a VA employee), (b) the provision of counseling and assistance in identifying employment and training opportunities, as well as related information and services under the Transition Assistance Program (TAP) and the Disabled Transition Assistance (DTAP) Program to members of the Armed Forces being separated from active duty and their spouses (under the supervision of a disabled veterans’ outreach program specialist or local veterans’ employment representatives); and (c) any activity approved by VA in support of a Senior Reserve Officers’ Training Corps

program at an educational institution or military installation (under the supervision of an administrator or instructor as found in section 2111 of title 10).

With regard to the use of work-study students at educational institutions to provide placement services to disabled veterans, we believe it is unrealistic to expect students to provide these highly specialized counseling services currently being provided by GS-12 federal employees. The extensive training necessary for this purpose, even for a student with the requisite background for this work, could not appropriately be included as part of a work-study agreement since the work-study program purpose is primarily to provide work, not training, for the students. Moreover, providing the training for such limited purpose would be an unproductive burden on VA's resources.

With regard to work-study students assisting with the TAP and DTAP programs, we agree with the intent of the provision, but are concerned with some of the functions the student would be expected to perform. Again, we don't believe work-study students, in most cases, could provide the counseling and employment assistance in identifying employment and training opportunities provided for in this section because such assistance requires specialized training. We would, therefore, suggest deleting reference to such functions and, instead, permit the work-study student to assist with the TAP and DTAP programs in ways consistent with their abilities. VA also does not believe the students need be supervised solely by the DOL employees mentioned in this section. We believe in many cases that VA, DOD or contractor personnel would be appropriate supervisors, as well. As written, this section would unnecessarily restrict usage of work-study students in support of the TAP and DTAP programs.

Finally, with regard to using work-study students to support Senior ROTC programs at educational institutions and military installations, VA supports this portion of section 2.

If enacted, VA estimates section 2 of H.R. 1207 would cost $1 million during FY 2006 and $10.7 million over the period FYs 2006-2015.

5-Year Pilot Program for On-Campus Work-Study Positions

Section 3 of H.R. 1207 would direct VA, subject to regulations VA would prescribe, to conduct a five-year pilot project to test the feasibility and advisability of expanding the scope of qualifying work-study activities to include work-study positions available on site at educational institutions. These work-study positions would include positions in academic departments (tutors, lab assistants, etc.) and in student services (financial aid, cashiers, admission and records, etc.). However, such positions would be filled only if an applicant could demonstrate to VA that no other qualifying work-study activity was available. VA would be required to ensure that no more than 10 percent of all work-study agreements at any time were for the type of positions provided under the pilot project. To participate in the pilot work-study program, educational institutions would have to demonstrate that the number and types of work-study positions offered during the pilot would not exceed the number and types of positions offered in the preceding year at that institution. For each of FYs 2006 through 2010, $1 million would be appropriated to VA to carry out this project.

VA supports the intent of the pilot program envisioned in section 3 because we believe it is reasonable to have students perform these services. However, we are strongly opposed to some of the administrative restrictions found in this pilot project. For instance, we are opposed to requiring an applicant to demonstrate that no other (non-pilot) qualifying work-study position exists during the applicable agreement period. This requirement imposes an unreasonable verification burden on applicants. We are also opposed to the requirement that no more than 10 percent of all work-study agreements could be pilot positions "at any time." Under this provision, VA would be required to make a daily computation of the total number of work-study agreements and the number of pilot position agreements. This daily calculation would be an undue administrative burden on VA. The requirement that an educational institution demonstrate that the number and types of work-study positions offered in the pilot not exceed the number and types offered in the preceding year at that institution also is problematic. It is unclear what "types" means in this context.

Further, we are unsure whether institutions maintain a record of the number of positions offered in the previous year, though they may have a record of the number of positions filled. Overall, we suggest that the pilot program have vastly fewer restrictions. We note that the 5-year temporary positions already approved for work-study allowance do not have such burdensome restrictions.

If enacted, VA estimates section 3 of H.R. 1207 would result in readjustment benefit costs of $21.7 million over the period FYs 2006-2010 with GOE costs estimated at $1 million for each year of the pilot.

Technical Corrections

Section 4 contains technical corrections to the work-study program provisions. There are some technical problems with the proposed bill that could make implementation difficult. We note that we will be making some recommendations to committee staff for revising these amendments.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you or any of the other members of the Subcommittee may have.