

BY MATTHEW  
WELLS

Mike Bermudez, an Air Force veteran, is a police captain at the Richmond Fed. He used the Post-9/11 GI Bill to earn multiple degrees.



# The Post-9/11 GI Bill

**Fewer veterans are using their education benefits. Is this trend a problem — or a sign of a more welcoming job market?**

In 2008, Congress passed and President George W. Bush signed the largest expansion of federal education aid to veterans since the original GI Bill at the end of World War II. Under the Post-9/11 Veterans' Educational Assistance Act of 2008, commonly known as the Post-9/11 GI Bill, service members who served at least 90 days on active duty after Sept. 10, 2001, or their dependents, are entitled to up to 36 months of educational assistance to pursue higher education. Depending on the program, they can receive education or job training tuition, books, and fees, as well as a monthly housing stipend that is paid fully or in part by the federal government.

The program drew wide support from both veterans' advocates and the higher education community, and within two years of its implementation in 2009, over half a million veterans were using the benefit. Participants include veterans with their DD-214 honorable discharge certificates, active-duty service members, and their spouses. Research from both academics and the veterans' advocacy community has shown that since that time it has yielded positive effects, including an increase in postsecondary enrollment among veterans, as well as increased graduation rates.

One of those veterans is Hallie Oxley, a Marine who served from 2000 to 2005 in various roles, including in logistics and as a marksmanship instructor. He now works in National IT at the Richmond Fed after getting his bachelor's degree in cloud computing. He credits the Post-9/11 GI Bill with giving him the ability to get a degree that would enable him to advance his career. "An education does pay off," says Oxley. "There was a point in time in the Fed where you could come in out of high school, but those days are long gone."

Thanks in large part to the significant military presence in Maryland, Virginia, and the Carolinas, three of the 10 most popular institutions or systems in the country for veterans pursuing higher education under

IMAGE: RODNEY WEST FOR THE RICHMOND FED

the program are in the Fifth District. According to a 2019 Congressional Budget Office (CBO) report, in 2017 the University of Maryland Global Campus (previously known as University College) was the third most popular, with almost 17,000 veterans enrolled, while the Virginia Community College System was seventh with 8,800 student veterans and the North Carolina Community College System was ninth with 7,900.

Despite the initial popularity of the Post-9/11 GI Bill and its success in increasing the number of veterans with college degrees, two puzzling trends have recently emerged that are potential sources of concern. First, economists have found that increases in overall degree attainment among Army veterans have not translated into increased wages after graduation; average salaries among benefit recipients are lower than those of their counterparts who did not use the benefit. Second, the number of veterans using the Post-9/11 GI educational benefit has decreased dramatically in recent years. According to the Congressional Research Service, over 790,000 veterans participated in the program each year from 2014 to 2016 – but this number has declined almost every year since. (See chart.)

### MARCH OF THE GI BILLS

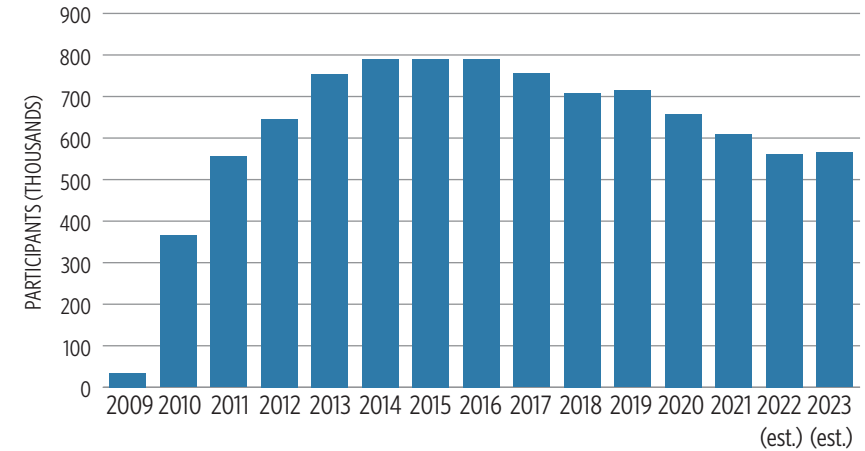
The original GI Bill, known as the Serviceman’s Readjustment Act of 1944, was created to avoid a repeat of the high levels of unemployment among veterans that occurred following World War I. Nearly 8 million veterans out of about 16 million who served during World War II would go on to pursue higher education through the program, which provided \$500 a year for tuition, books, and counseling services, as well as a housing allowance. The program cost the federal government \$14.5 billion, or about \$139.6 billion in 2020 dollars.

In important respects, the program was successful, as the number of college graduates in the United States doubled between 1940 and 1950. Yet these gains were largely inaccessible to Black veterans, many of whom were excluded from using the benefit for college by state higher education segregation laws or by local Veterans Administration authorities who disbursed the money. In addition, policymakers discovered that the practice of the government paying tuition and fees directly to the academic program was problematic, as a large number of programs and institutions were created with the purpose of taking that money and not holding classes, leaving enrolled veterans with no program to attend.

The wars in Korea and Vietnam would have fewer veterans returning home looking for work, but Congress enacted legislation authorizing similar education benefits for those who served. After the Vietnam War ended, and with a

### The Use of Post-9/11 GI Benefits is Declining

Post-9/11 GI Bill participation, FY2009-FY2023



SOURCES: Congressional Research Service Report R42755, *The Post-9/11 GI Bill: A Primer*; Budget of the U.S. Government, FY2023

sustained period of peacetime, however, policymakers recognized that the armed forces could use education benefits as a recruitment tool. In 1985, Congress passed the Montgomery GI Bill, which created separate benefits systems for reservists and active-duty personnel and is still active today. Under the legislation, active-duty personnel who choose to receive the benefit buy into it for \$1,200, and in exchange, they currently receive up to \$2,150 per month for up to 36 months (the standard number of enrolled months it takes to complete an undergraduate degree) for tuition, books, supplies, and housing, depending on how long they served. Reservists, on the other hand, do not have to buy into the program, but their benefit is limited to \$407 per month, again for up to 36 months depending on length of service. To alleviate the problem that plagued the original GI Bill of illegitimate programs being set up only to collect money from the government, both programs, like all previous GI education benefit programs following the 1944 program, provide the money directly to the student veteran each month.

### “ONE OF THE LARGEST POLICY SHOCKS”

Like its predecessors, the Post-9/11 GI Bill was intended to benefit both the service member and the military. With respect to service members, the goals were to ensure the availability of comprehensive education benefits and to provide reservists, who had been serving on sustained periods of active duty in the wars in Iraq and Afghanistan, with the same benefits afforded to full-time service members. The military anticipated that such an attractive benefit would help it meet its recruiting goals and improve retention rates, specifically because the legislation allowed for the benefits to be transferred to service members’ dependents and did not have to be used by the service members themselves.

The legislation was written by then-Sen. Jim Webb (D-Va.) and passed the Senate as part of the 2008 Supplemental Appropriations Act by a vote of 92-6; it passed

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the House of Representatives by a 416-12 margin. As the votes suggest, the program had strong bipartisan support. The transferability of benefits to spouses and children, which was not included in the original proposed legislation, was imperative for some policymakers concerned about its effect on retention, including President Bush. He and others were concerned that restricting such a substantial benefit to service members would encourage them to leave the military. If the benefit could be passed to family members, however, they believed service members would be more inclined to stay. Once this provision was added, only a small number of legislators remained opposed.

Andrew Barr, an economist at Texas A&M University studying veterans' educational and labor market participation, recently co-authored a working paper that described the Post-9/11 GI Bill as "one of the largest policy shocks in college subsidies in U.S. history." Unlike previous GI benefit programs, which paid out a fixed dollar amount per month, the Post-9/11 Bill would pay up to the full cost of in-state tuition and fees for veterans enrolled in public universities, or up to a predetermined amount for those enrolling in private institutions. If these totals aren't enough to cover the costs of attendance, many schools participate in the Yellow Ribbon Program, in which they split with the Department of Veterans Affairs anywhere from a small portion to all the remaining cost difference for an agreed upon number of veterans. The percentage of the tuition and fees covered by the benefit is determined by the length of the veteran's service on active duty. As with the first GI Bill, funds are sent directly by the government on behalf of the student veterans to the institutions, which policymakers decided is more feasible from an administrative standpoint when dealing with the large sums of money that are being transferred.

The Post-9/11 GI Bill doesn't just pay for college or graduate school. Veterans can use the benefit for vocational or correspondence schools, business or other professional programs, technical schools, teacher certifications, licensure programs, and flight school. All these programs generally fall under three categories of institutions: public nonprofit, private nonprofit, and private for-profit. To meet veterans where they are and to maximize flexibility, many programs are available online. Student veterans enrolled in such

programs receive a housing allowance based on the national cost of living average, while those who attend classes in-person receive an allowance that is determined by the cost of living where the program or school is located.

## **IS THE PROGRAM SUCCEEDING?**

In 2016, about 50 percent of student veterans using the benefit attended public colleges or universities, while about 20 percent went to private nonprofit institutions and 30 percent enrolled in for-profit ones. In terms of tuition and fees, however, eight of the top 10 recipient institutions in 2017, as well as from 2009-2017 overall, were for-profit. The Senate Health, Education, Labor, and Pensions Committee found that in the program's first year, for-profit colleges enrolled only 23.3 percent of beneficiaries but received 36.5 percent of all the funds distributed. By 2017, however, public schools received the most tuition and fee dollars, \$1.9 billion, followed by for-profit institutions with \$1.7 billion and private nonprofit institutions with \$1.5 billion.

In their working paper, Barr and his colleagues examined the effect of the Post-9/11 GI Bill on veterans' decisions whether to enroll in college, their degree completion rates, and their long-run earnings. On the positive side, they found that the benefit had positive, albeit modest, effects on enrollment, increasing the number of years enrolled by 0.17 and increasing the rate of completion of bachelor's degrees by 1.2 percentage points. By way of comparison, among World War II veterans, the GI Bill raised years of schooling by 0.28 years and college completion rates by 5 to 6 percentage points.

The researchers also found, however, that veterans who used the benefit received wages that were on average \$900 lower annually than they otherwise would have been nine years after separating from the military. Barr believes this is being driven primarily by the opportunity costs that come with continuing education. "Perhaps they're missing out on work experience that would have been useful," suggests Barr. "Perhaps they're letting their useful skills that they had in the military that would have translated into the labor market depreciate."

## **THE ROLE OF FOR-PROFIT COLLEGES**

In addition to the lost labor market experience, Barr and his colleagues identified a second potential reason for the wage deficit: Some veterans are making "low-return marginal investments." The 2019 CBO report noted that "some programs may not prepare beneficiaries for jobs that pay enough for a service member to buy a home, raise children, or pursue other common aims" because the standards for Veterans Benefits Administration program approval are made at the state level and may be misunderstood by veterans who may enroll in unaccredited programs.

The working paper by Barr and his colleagues showed that less-advantaged veterans, or those with lower scores on the Armed Forces Qualification Test or those placed in



low-skill military occupations, are more likely to pursue higher education because of the benefit but are disproportionately enrolled in for-profit institutions. Similarly, a 2020 report by the Brookings Institution noted that “those least experienced with higher education and least likely to attend traditional colleges are more likely to enroll in a for-profit college.” Additionally, the report found that veterans who used the benefit to attend a for-profit college are 9.2 percent less likely to graduate compared to those who attended public colleges. The report goes on to state, “For policymakers, this result is concerning because these students could benefit the most from the ... benefits but are attending colleges that cost more and result in lower labor market outcomes.”

Concerns about the quality of some programs or institutions where veterans choose to attend are not new, having been a problem during the World War II GI Bill era. As noted earlier, in the absence of any meaningful oversight, many schools simply served as money-making schemes. In 1952, a select committee in the House of Representatives found that many for-profit schools “offered training of doubtful quality” and there was “no doubt that hundreds of millions of dollars [had] been frittered away on worthless training.” To end these abuses, in 1950, Congress authorized the Veterans Administration to deny funding to for-profit schools that had been set up in the previous year, cap the number of students in a program whose tuition was paid with government funding, and limit the growth of programs that were unlikely to lead to a job.

After the Post-9/11 GI Bill’s implementation, the Obama administration was concerned that some for-profit institutions were engaging in equally problematic behavior, aggressively targeting veterans who had a limited understanding of how attending these for-profit institutions might not actually be beneficial for their careers. In April of 2012, President Obama signed an executive order directing the Department of Education to mandate that schools end “unduly aggressive” recruitment methods and disclose their financial aid procedures and student outcomes, including graduation rates, to applicants using veteran education benefits. In the years after these moves, several large for-profit educational institutions shuttered their doors for good, including three of the five largest recipients of veteran education benefit dollars from 2009 to 2017: Education Management Corporation, ITT Technical Institute, and Career Education Corporation.

### WHY ARE FEWER VETERANS USING THE BENEFIT?

The number of veterans using the program has dropped by more than 180,000 from 2016 to 2021, a decline of over 22 percent and a significantly larger drop than the 5 percent decline in overall undergraduate college enrollments from 2009 to 2019. Veterans advocates and those in the education community have begun to wonder what factors, beyond the declining presence in the marketplace of for-profit institutions, might account for the steep decline.



Marine veteran Hallie Oxley credits the Post-9/11 GI Bill with helping him earn his bachelor's degree in cloud computing. He now works in National IT at the Richmond Fed.

John Kamin, legislative associate at the American Legion, points to a backlog of veterans who had already left the military but were eligible for the benefit because they had served on active duty after Sept. 11, 2001. He suggests that in the program’s first five or six years, “it wasn’t just the people getting out of the military” who were using the benefit. “It was the people who’d gotten out of the military over the past 10 years,” he says.

The original Post-9/11 GI Bill mandated that veterans use their benefit within 15 years of separating from the military, which might also help explain why many of those veterans who left the military before the bill’s enactment jumped at the opportunity to use the benefit before it expired for them.

But in 2017, the Forever GI Bill removed this provision, giving veterans who separated after 2012 unlimited time to use the benefit. Col. (Ret.) Keith Hauk, associate vice president for veterans’ initiatives and military support at the University of Maryland Global Campus, suggests that this change may have resulted in fewer veterans using the Post-9/11 GI Bill. “I can take my education in more bite-sized chunks,” says Hauk. In other words, if a veteran needs to add a certain skill or certification to advance in his or her job, he or she can wait to use the benefit when the need arises rather than be forced to use it on something of potentially lesser value before the 15-year time limit lapses. This option may be particularly appealing to veterans during periods of strong labor market and wage growth, as has been the case since 2017, even after accounting for the effects of the COVID-19 pandemic.

When veterans do decide to return to school, online programs offer a high degree of flexibility that can be attractive, particularly if they are working and raising a family. But, says Kamin of the American Legion, this flexibility can come at a price, particularly for those veteran students who aren't all that familiar with higher education and might not have considered going to college until they learned about the Post-9/11 GI Bill. "The worst case we see is someone gets out [of the military] and they spend a semester at an online school," says Kamin. Many online programs, he suggests, lack the resources that exist at in-person institutions, such as student veteran clubs, that enable these veterans to successfully transition from service member to student. "It's too difficult, too frustrating," he says. "They don't have the support, they drop out, and they still have benefits left, but they're turned off education."

Mike Bermudez, an Air Force veteran, serves as a police captain at the Richmond Fed. After tours in Iraq and Afghanistan, he left the military and used his Post-9/11 GI benefit to pursue both bachelor's and master's degrees. After graduating with his bachelor's degree and before coming to the Fed, he worked as a recruiter at an online university with a large military-student population. His experiences in that position support Kamin's hunch. "I had hundreds of students who just threw up their hands and said, 'This is taking too long' or 'I don't understand it. Yeah, I called the VA, but they haven't called me back.' I've heard that so many times."

Hauk, of the University of Maryland Global Campus, suggests that these frustrations may have reached a boiling point with what he describes as the "flawed implementation" of the Forever GI Bill in mid-2018. He notes that student veterans did not receive payments and there were significant delays that ultimately led the Department of Veterans Affairs to reset its implementation. "Anecdotally, it pushed people off the table in terms of going back to school until the VA fixed the systems and processes that allowed them to access it."

## WHAT SHOULD BE DONE?

If it is true that the drop in Post-9/11 GI benefits usage stems, at least in part, from the backlog of already-separated veterans who wanted to use the benefit, then perhaps the current lower number of enrollees reflects a more natural

rate of engagement rather than a problem that needs to be addressed through any changes in policy. Similarly, if veterans want to take advantage of employment opportunities that are available in a rapidly growing economy where they can use the benefit more strategically, it also makes sense that the numbers may be declining.

But if frustration with the process and a lack of understanding are responsible, Bermudez suggests that to ensure a smooth transition to becoming a student, service members should start the process early, at least a year before leaving the military. Too many service members start the process after separating, which is too late. When some administrative issues need to get ironed out and they have no support structure around them to keep them engaged, "they get discouraged and then they just drop the whole idea of going to college," he says.

Similarly, Kamin argues that one of the primary difficulties veterans' advocates have had over the years when it comes to education has to do with veterans' self-perceptions. "What can be a holdup," he says, "is convincing them that they're good enough to use the benefit."

For those veterans who decide to use their education benefits, the government has worked to limit overly aggressive or misleading recruitment practices that can leave them in situations where they are worse off than if they had chosen to enter the workforce instead. According to veterans' advocates, reliable and accessible support systems are crucial for continued engagement and, ultimately, success, regardless of whether the student is online or in person. For those who choose to enter the workforce, policymakers have given them the option to use the benefit should they decide they need it.

The Bureau of Labor Statistics reported in April that the unemployment rate among veterans fell to 2.4 percent in March, the lowest level in three years and well below the overall rate of 3.6 percent. While there is still work to be done in terms of assisting veterans as they readjust to different aspects of civilian life, these numbers might be a sign that employers recognize the value of veterans and what they can bring to the workforce. "I think there's been a large, broad-scale effort to articulate the value that veterans can bring to the workforce writ large," says Hauk. "I think if you're seeing veterans start to get meaningful employment in places like the Federal Reserve, I've got to tell you, as a veteran, that thrills me to no end." **EF**

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## READINGS

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