

VOLUME 12, CHAPTER 15: “EDUCATIONAL ASSISTANCE PROGRAMS”**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by **bold, italic, blue, and underlined font**.

The previous version dated **May 2008** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	This is a substantial chapter revision. Deleted obsolete information and added educational benefit criteria for the Montgomery GI Bill programs and other educational benefits.	Revision
All	Updated hyperlinks and formatting, renumbered sections, and added required paragraphs in accordance with current administrative instructions.	Revision

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CHAPTER 15

EDUCATIONAL ASSISTANCE PROGRAMS

1.0 GENERAL

1.1 Overview

1.1.1. Entitlements under the Educational Assistance Programs are established by law and available to anyone meeting eligibility requirements as described in [section 2.0](#). Authorizations for entitlements constitute a binding contract by the Federal Government, and eligible recipients may have legal recourse if the [contract](#) is not fulfilled. Legislation authorizing entitlements does not necessarily include a corresponding appropriation of funds; thus, the subsequent enactment of appropriations may be necessary.

1.1.2. The Department of Defense (DoD) offers educational assistance to active duty, selected reserve, individual ready reserve, survivors and dependents, and others in the form of various programs. Additional details of the educational programs can be found on the U.S. [Department of Veterans Affairs](#) (DVA) website, in the “Education and training” section.

1.1.3. The DoD Educational Assistance Programs aid in recruiting and retaining members of the Armed Forces. The programs also provide for the readjustment of military members to civilian life after their separation from military service. Furthermore, the programs provide for educational assistance for dependents and survivors of members of the Armed Forces.

1.2 Purpose

This chapter provides guidance on financial operations and the recording of transactions for Educational Assistance Programs, as well as the establishment of accounting principles and standards related to these requirements.

1.3 Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.3.1. Title 10, United States Code Section 510 ([10 U.S.C. § 510](#)), “Enlistment incentives for pursuit of skills to facilitate national service.”

1.3.2. [10 U.S.C. § 2006](#), “Department of Defense Education Benefits Fund.”

1.3.3. [10 U.S.C. § 2142](#), “Educational assistance program: eligibility.”

1.3.4. [10 U.S.C. Chapter 1606](#), (§§16131-16136), “Educational Assistance for Members of the Selected Reserve”

1.3.5. 38 U.S.C. Chapter 30 (§§ 3001 – 3002, 3011 – 3023, 3031 – 3035), “All-Volunteer Force Educational Assistance Program.”

1.3.6. 38 U.S.C. Chapter 33 “Post-9/11 Educational Assistance.”

1.3.7. 38 U.S.C. § 3314, “Tutorial assistance.”

1.3.8. 38 U.S.C. § 3316, “Supplemental educational assistance: members with critical skills or specialty; members serving additional service.”

1.3.9. 38 U.S.C. § 3319, “Authority to transfer unused education benefits to family members.”

1.3.10. 38 U.S.C. § 3492, “Tutorial assistance.”

1.3.11. 38 U.S.C. § 3687, “Apprenticeship or other on-job training.”

1.3.12. DoD Directive 1322.16, “Montgomery GI Bill (MGIB) Program.”

1.3.13. DoD Instruction (DoDI) 1322.17, “Montgomery GI Bill – Selected Reserve (MGIB-SR).”

1.3.14. DoDI 1340.23, “Waiver Procedures for Debts Resulting from Erroneous Pay and Allowances.”

1.3.15. DoDI 1341.13, “Post-9/11 GI Bill.”

2.0 EDUCATIONAL ASSISTANCE PROGRAMS

2.1 Veterans’ Education Assistance Program (Post-Vietnam)

The Veterans’ Education Assistance Program (VEAP) (38 U.S.C. § 3201) is an educational benefit for service members who entered service between January 1977 through June 1985. This program was terminated on April 1, 1987; however, the Services may be required to budget and submit payment for unfunded liabilities as determined by the DoD Board of Actuaries on a year-by-year basis.

2.2 Montgomery GI Bill – Active Duty

2.2.1. Background. The Montgomery GI Bill – Active Duty (MGIB-AD) (38 U.S.C. Chapter 30), also known as “Chapter 30,” provides education benefits to veterans and service members who have met the minimum requirements of their obligated period of active duty.

2.2.2. Eligibility Requirements

2.2.2.1. Becomes a member of the Armed Forces (after June 30, 1985) and has served continuously for three years, or the full amount of the enlistment contract. Eligibility ends 10 years after the member separates.

2.2.2.2. Does not disenroll from the basic program.

2.2.2.3. Has their basic pay been reduced by \$100 per month for 12 months beginning the month following the 270th day of active service and MGIB election. These funds are withheld for MGIB enrollment purposes. Any amount by which the basic pay of an individual is reduced shall revert to the U.S. Treasury and shall not, for purposes of any Federal law, be considered to have been received by or to be within the control of such individual, as described in paragraph 3.4.

2.2.2.4. Meets the initial Service-defined criteria for additional or supplemental benefits of any type.

2.2.2.5. Members who are separated from active duty because of a disability which was not the result of the individual's own willful misconduct incurred on or after the date on which that member became entitled to educational assistance. The member's entitlement to educational assistance expires at the end of the 10-year period beginning on the date the member was discharged or released from active duty.

2.2.3. Benefits. The MGIB-AD provides up to 36 months of education benefits. For more information, refer to **MGIB-AD Benefits**.

2.2.4. Skill or Specialty Designator MGIB-AD "Kickers" (also known as "College Fund") for Members with specialty skills (Title 38 U.S.C. §3015(d)(1)). The Secretary may offer a benefit known as the "Kicker" to individuals who have a skill or specialty where there are critical personnel shortages or recruitment challenges. This Kicker is in addition to the assistance provided under the basic benefit. The Kicker benefit is available to members who have met the minimum requirements of their obligated period of active duty. The Kicker benefit for active-duty members is in increments of \$100 between \$150 and \$950 for up to 36 months.

2.2.5. Chapter 30 Benefits Transferred to Dependents (38 U.S.C. § 3020). Developed to enhance recruitment and retention of the Armed Forces members, this program allows eligible members to transfer basic educational assistance to one or more dependents. Members who meet the following criteria are eligible:

2.2.5.1. Completed six years of service in the Armed Forces;

2.2.5.2. Has a critical military skill designated by the Secretary; or

2.2.5.3. Is in a military specialty designated by the Secretary concerned as requiring critical military skills; and

2.2.5.4. Has entered into an agreement to serve at least four more years as a member of the Armed Forces.

2.2.6. Budget Submission Guidance. Services are to budget for the MGIB-AD “Kicker” program using the per capita rates approved by the DoD Board of Actuaries based upon the most recent actuarial valuation of the DoD educational programs.

2.3 Montgomery GI Bill – Selected Reserve

2.3.1. Background. The Montgomery GI Bill Selected Reserve (MGIB-SR) (Chapter 1606, Title 10, U.S.C.) program offers up to 36 months of education and training benefits. Refer to 10 U.S.C. 16132(a).

2.3.2. Eligibility Requirements. Members of the Selected Reserve who meet all of the following criteria are entitled to educational assistance:

2.3.2.1. On or after July 1, 1985, enlisted, reenlisted, or extended an enlistment in a Reserve component for service in the Selected Reserve for not less than 6 years or, in the case of officers, agree to serve in the Selected Reserve for six years beyond any existing Selected Reserve service contract.

2.3.2.2. Completed the requirements for award of a high school diploma or equivalency certificate before applying for benefits.

2.3.2.3. Completed the initial period of active duty for training required of the member.

2.3.2.4. Each person who becomes entitled to educational assistance must be given a written DD Form 2384-1, Notice of Basic Eligibility, summarizing the provisions of Chapter 1606, Title 10, U.S.C. This notice provides a date of basic eligibility contingent on meeting initial eligibility criteria.

2.3.2.5. Additional information on the period of eligibility can be found in DoDI 1322.17.

2.3.3. Period of Entitlement. Member’s entitlement to educational assistance expires:

2.3.3.1. On the date the member is separated from the Selected Reserve, assuming the MGIB-SR basic entitlement was established after June 29, 2008.

2.3.3.2. At the end of the 14-year period beginning on the date on which the member became entitled to such assistance or on the date the member separates from the Selected Reserve, whichever occurs first, if the MGIB-SR basic entitlement was established from October 1, 1992, to June 29, 2008. The expiration of a service member's entitlement who is ordered to active duty under an order issued under sections 10 U.S.C. §§ 12301(a), 12301(d), and 12301(g), 10 U.S.C. § 12302, 10 U.S.C. §12304, 10 U.S.C. § 12304a, or 10 U.S.C. § 12304b must be extended beyond the 14-year period or the date the service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

2.3.3.3. Upon completion of the 10-year period that began on the date that MGIB-SR basic was established from July 1, 1985, to September 30, 1992, or separation from the Selected Reserve, whichever came first.

2.3.4. Skill or Specialty Designators MGIB-SR “Kickers” (10 U.S.C. §16131(i)(1)). The Secretary may offer a benefit known as the “Kicker” to individuals who have a skill or specialty where there are critical personnel shortages or recruitment challenges. This Kicker benefit is in addition to the assistance provided under the basic benefit. The period of obligated service for the Kicker payments is separate from the period of obligated service for the basic MGIB-SR but runs concurrently with that period of obligated service. The Kicker payments may not exceed \$350 per month.

2.3.5. Budget Submission Guidance. Services are to budget for the basic benefit and the MGIB-SR “Kicker” programs using the per capita rates approved by the DoD Board of Actuaries based upon the most recent actuarial valuation of the DoD educational programs. Rates are updated annually and published within the President's Budget Submission Guidance issued by the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

2.4 Post-9/11 GI Bill

2.4.1. Background. The Post-9/11 GI Bill (Chapter 33, Title 38, U.S.C.) provides education and job training to qualifying Veterans or members of the Armed Forces who served on active duty after September 10, 2001, and have met the minimum requirements of their obligated period of active duty. The DVA funds the Post-9/11 GI Bill. Such members are also entitled to transfer the Kicker of this benefit to a spouse or dependent children if conditions to transfer the basic benefit are met.

2.4.2. Eligibility and Benefits. See “Post-9/11 GI Bill (Chapter 33).”

2.4.3. Skill or Specialty Designator Post-9/11 “Kicker”. Individuals who have a skill or specialty designated by the Service Secretary as described in subparagraph 2.2.4 and are entitled to receive the Kicker benefit under the Chapter 30 benefit are also entitled to receive that Kicker benefit with the Post-9/11 benefit. Such members are also entitled to transfer the Kicker benefit to a spouse or dependent children if conditions to transfer the basic benefit are met.

2.4.4. Budget Submission Guidance. Refer to subparagraph 2.2.6 when budgeting for the Post-9/11 Kickers.

3.0 FUNDING FOR EDUCATIONAL ASSISTANCE PROGRAMS

3.1 DoD Education Benefits Fund

3.1.1. The Veterans Educational Assistance Act of 1984 established a trust fund to finance DoD education liabilities on an actuarially sound basis. The DoD Education Benefits Fund (EBF) is a trust fund used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The DoD funds the MGIB-AD benefits, the MGIB-SR basic and Kicker benefits, and the VEAP benefits. The DoD Office of the Actuary performs actuarial valuations and provides actuarial support and expertise for the EBF. Refer to the Education Benefits Valuation Report, which is updated annually.

3.1.2. The fund, 97X8098 – Department of Defense Education Benefits Fund (Education Fund), contains the following assets:

3.1.2.1. Amounts paid into the EBF from the active duty and reserve personnel appropriations;

3.1.2.2. Any amount that may be appropriated by Congress to the EBF; and

3.1.2.3. Interest earned as a result of the investment of available EBF cash balance in U.S. Government securities. This method of funding the educational assistance program became effective July 1, 1985.

3.2 Education Fund Payments

Amounts payable by the DoD Active and Reserve Components to the EBF are determined using methods and assumptions approved by the DoD Board of Actuaries. The accounting principles contained in Chapter 16, “Military Personnel Entitlement Programs,” also apply to the education benefits programs.

3.3 Education Fund Transfers

Amounts to be transferred to the EBF are obligated by Components at the same time military pay is obligated as required in Volume 3, Chapter 8, “Standards for Recording and Reviewing Commitments and Obligations,” and further explained in Chapter 16.

3.4 Educational Fund Deposits (Miscellaneous Receipts)

3.4.1. The Act provides for withholding a total of \$1,200 (in 12 equal monthly installments) from the basic pay of active-duty military members who elect to participate in the MGIB-AD (refer to paragraph 2.2). The Military Departments must deposit the withheld funds to the general fund of the Department of the Treasury (Treasury) as miscellaneous receipts. The

miscellaneous receipts subaccounts are identified in the Office of the Deputy Chief Financial Officer [Standard Financial Information Structure](#) website.

3.4.2. For amounts withheld from active-duty members, a general fund proprietary receipt account has been established to which collections of military personnel contributions are deposited. However, the funds collected are treated as proprietary receipts of the DVA, rather than of the DoD, with the appropriate offset against budget subfunction 702 (Veterans' Education, Training, and Rehabilitation).

3.4.3. Even though the DoD does not receive credit for the offsetting receipts, it is responsible for collecting the contributions from individuals participating in the program. To ensure proper crediting of the collected funds, all contributions must be deposited into Miscellaneous Receipt Account 36R2473 – Contributions from Military Personnel, Veterans Educational Assistance Act of 1984. It is essential that the funds be deposited to Treasury index number "36" (DVA) rather than the index numbers for each Military Department.

3.4.4. Monthly Report for Miscellaneous Receipt

3.4.4.1. Each Military Department provides the DVA a monthly report of funds deposited to Miscellaneous Receipt Account 36R2473. The report shows only the net amount deposited.

3.4.4.2. Submit the report in time to reach the DVA no later than the close of business on the seventh workday after the close of the reported month. The following address must be used for sending the reports:

Department of Veterans Affairs (O47H1)
810 Vermont Avenue, NW
Washington, DC 20420
ATTN: C.O. Finance (047H1)

3.4.4.3. If the report cannot be submitted in time to reach the DVA by the seventh workday after the reported month, the Military Department reports by facsimile machine the amount deposited. The report must be "faxed" to the DVA Central Office, Field Finance Division.

3.5 "Kicker" Educational Benefit

The DVA pays all claims for benefits under the educational program. The DVA also funds most of the basic educational benefits for active-duty military members from a general fund appropriation (e.g., MGIB-AD and the Post-9/11 GI Bill). An additional benefit (i.e., the "Kicker") may be paid at the discretion of the Secretary of Defense. However, this is funded in the military personnel appropriations by the DoD, as are all supplemental benefits. These funds must be paid into the EBF for subsequent transfer to the DVA.

3.6 Education Fund Transfer to the DVA

The EBF is used to accumulate funds for transfer to the DVA to cover the DoD share of benefits. The Director, Defense Finance Accounting Service (DFAS), must account and report for the DoD EBF since it is an Office of the Secretary of Defense account. In addition, the Director, DFAS, must invest the case balances of the EBF not needed to cover transfers to the DVA for payment of benefits.

4.0 FUND TRANSFERS OF MILITARY PERSONNEL APPROPRIATIONS

Transfers from the military personnel appropriations to the DoD EBF are processed as indicated in this section. The accounting for these amounts follows the accounting requirements contained in Volume 4, Chapter 10, “Personnel Related Liabilities.”

4.1 Receipt and Expenditure Accounts

4.1.1. The DoD EBF is classified as a trust fund and uses both receipt and expenditure accounts, as it is not designated as a trust revolving fund. Receipts are available immediately for expenditure; therefore, the Treasury requires deposits to be made using the “X” symbolization for the receipt account.

4.1.2. Deposits are made to the following trust fund receipt accounts as applicable.

4.1.2.1. 97X8098.1 – Employing Agency Contributions, Department of Defense, Education Benefits Fund. Payments from DoD military personnel appropriations.

4.1.2.2. 97X8098.2 – Earnings on Investments, Department of Defense, Education Benefits Fund. Payments of interest by Treasury on EBF investments in U.S. securities.

4.1.2.3. 97X8098 – Disbursements – Unamortized Premium and Discount, Department of Defense Education Benefits Fund. Purchase of premium, interest, and discount.

4.2 Timing

Transfers of funds for a given month are accomplished on or before the last business day of that month. If the transfers are accomplished on an estimated basis, they are adjusted in the subsequent month when actual figures become available.

4.3 Method for Transfer of Funds

4.3.1. Transfers are made on an expenditure basis. Funds are disbursed from the military personnel appropriations and collected into the EBF. The disbursement and collection transactions are accomplished using the Intragovernmental Payment and Collection (IPAC) system. The disbursements and collection transactions can also be made on an SF 1081, Voucher and Schedule of Withdrawals and Credits. The disbursing officer making the payment forwards a copy of the

completed SF 1081 to DFAS, and also reports both the disbursement and collection transaction on the monthly **DD Form 1329**, Statement of Transaction.

4.3.2. Completed forms are forwarded to the following email address: **dfas.indianapolis-in.jja.mbx.cin-jira@mail.mil**.

4.3.3. The total amount transferred from the military personnel appropriation to the EBF is provided in the Military Service Contract program documentation and is reported on either the face of the SF 1081 or in a separate attachment.

4.4 Calculation of Transfers

4.4.1. Transfers to the EBF from the active component and reserve component personnel appropriations are accomplished monthly. The amounts to be transferred are calculated using the formulas provided in subparagraphs 4.4.2 and 4.4.3, which are based on existing legislation and, therefore, subject to change upon any enacted amendments. The per capita amounts to be used in the calculations are determined by the DoD Office of the Actuary using methods and assumptions approved by the DoD Board of Actuaries. The per capita amount is the per-person normal cost, potentially offset by an amount related to amortizing a surplus (if this particular service or Reserve Component's portion of the Fund, as determined by the Office of the Actuary for a particular program, has a surplus). This information must be provided to the Military Departments when it becomes available.

4.4.2. Active-Duty Appropriations. The per capita normal cost multiplied by the number of new entrants who become eligible during the month. Eligibility is defined in subparagraph 2.4.2.

4.4.2.1. The Services must report monthly to DFAS, and DFAS must report monthly in their trial balance, the total amount of per capita contributions for each combination of benefit level and years of obligated service. The report must specify the number of members for the current month, reconciling corrections from the prior month (if any), and the per capita amounts used in the calculations. These amounts must be reported separately from contributions that fund other programs.

4.4.2.2. The Services must pay an amortization payment into the DoD EBF on October 1st of each year to reduce the fund's liability. The amount of the contribution, if any, for each Component must equal the amount specified in the letter for the current fiscal year issued by the DoD Board of Actuaries.

4.4.2.3. Amortization refers to the process of gradually paying off a program's unfunded liability over a defined period—typically five years—through scheduled payments. Each year, the amortization schedule is reset, ensuring a fresh start based on updated unfunded liabilities. While this method moves toward full funding, it does not guarantee complete resolution unless projected liabilities change. The DoD Board of Actuaries maintains the amortization rates.

4.4.2.4. To ensure proper crediting of contributions made to DFAS, the Services must reference the account titles listed in Table 15-1 for the Active-Duty Services specified in the letter issued by the DoD Board of Actuaries.

Table 15-1 Active-Duty Critical Skill “Kicker” Benefit Account Titles

Active-Duty Critical Skill “Kicker Benefit”
2 Year Contract \$150 per month “Kicker”
2 Year Contract \$250 per month “Kicker”
2 Year Contract \$350 per month “Kicker”
2 Year Contract \$450 per month “Kicker”
2 Year Contract \$550 per month “Kicker”
2 Year Contract \$650 per month “Kicker”
2 Year Contract \$750 per month “Kicker”
2 Year Contract \$850 per month “Kicker”
2 Year Contract \$950 per month “Kicker”
3 Year Contract \$150 per month “Kicker”
3 Year Contract \$250 per month “Kicker”
3 Year Contract \$350 per month “Kicker”
3 Year Contract \$450 per month “Kicker”
3 Year Contract \$550 per month “Kicker”
3 Year Contract \$650 per month “Kicker”
3 Year Contract \$750 per month “Kicker”
3 Year Contract \$850 per month “Kicker”
3 Year Contract \$950 per month “Kicker”
4 Year Contract \$150 per month “Kicker”
4 Year Contract \$250 per month “Kicker”
4 Year Contract \$350 per month “Kicker”
4 Year Contract \$450 per month “Kicker”
4 Year Contract \$550 per month “Kicker”
4 Year Contract \$650 per month “Kicker”
4 Year Contract \$750 per month “Kicker”
4 Year Contract \$850 per month “Kicker”
4 Year Contract \$950 per month “Kicker”
5 Year Contract \$150 per month “Kicker”
5 Year Contract \$250 per month “Kicker”
5 Year Contract \$350 per month “Kicker”
5 Year Contract \$450 per month “Kicker”
5 Year Contract \$550 per month “Kicker”

Table 15-1 Active-Duty Critical Skill “Kicker” Benefit Account Titles (continued)

Active-Duty Critical Skill “Kicker Benefit”
5 Year Contract \$650 per month “Kicker”
5 Year Contract \$750 per month “Kicker”
5 Year Contract \$850 per month “Kicker”
5 Year Contract \$950 per month “Kicker”
6 Year Contract \$150 per month “Kicker”
6 Year Contract \$250 per month “Kicker”
6 Year Contract \$350 per month “Kicker”
6 Year Contract \$450 per month “Kicker”
6 Year Contract \$550 per month “Kicker”
6 Year Contract \$650 per month “Kicker”
6 Year Contract \$750 per month “Kicker”
6 Year Contract \$850 per month “Kicker”
6 Year Contract \$950 per month “Kicker”
Amortization Payment
Post-Vietnam Era Voluntary and Involuntary Separates (CAT III)

4.4.3 Reserve and National Guard Appropriations. Per capita amounts and amortization payments required. The per capita amount cost is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in subparagraph 2.4.2. A contribution is made for an eligible member only once. Eligibility data is established in the Notice of Basic Eligibility described in subparagraph 2.3.2.4. This eligibility date never changes.

4.4.3.1. The Reserve Components report monthly to DFAS, and DFAS reports monthly in their trial balance, the total amount of per capita contributions for 10 U.S.C. Chapter 1606; to include the breakout by basic and Kicker, and within Kicker, by Kicker benefit level. The report specifies how such amounts are derived in terms of the number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

4.4.3.2. If required due to a program’s unfunded liability, the Reserve Components pay an amortization payment into the Department of Defense EBF on October 1st of each year to reduce the fund’s liability. The amount of the contribution, if any, for each component equals the amount specified in the letter for the current fiscal year issued by the DoD Board of Actuaries.

4.4.3.3. To ensure proper crediting of contributions made to DFAS, all Reserve Components must reference the account titles listed in Table 15-2.

Table 15-2 Selected Reserve Benefit Account Titles

Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
\$100 monthly “Kicker” benefit
\$200 monthly “Kicker” benefit
\$350 monthly “Kicker” benefit
Amortization (10 U.S.C. Chapter 1606)

4.5 Fund Transfers To DVA from the DoD EBF

4.5.1. General Fund Appropriation Transfer Account. The DFAS transfers funds to the DVA on an expenditure basis. This is required because DVA pays the benefits from the general fund appropriation account 36X0137 – Readjustment Benefits, Veterans Administration.

4.5.2. IPAC Transactions. The actual transaction is accomplished by using IPAC. The DVA provides DFAS a letter of intent to disburse prior to making any IPAC transactions. This request is sent to dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil. The DVA reports the collection into 36X0137 on DD Form 1329.

5.0 PAYROLL DEDUCTIONS

5.1 Order of Precedence for Deductions

Deductions from pay for the education benefits program are governed by the order of precedence for deductions from gross pay. The order of precedence is used when the gross entitlement payment is not sufficient to permit all deductions to be made. The order of precedence is in Volume 7A, Chapter 52, “Priority of Pay Deductions and Collections.”

5.2 Participation Election Criteria

When an individual enters active duty as a member of the Armed Forces, participation in the education benefits program is automatic, unless the service member makes an election not to enroll for education benefits using DD Form 2366, Montgomery GI Bill Act of 1984 Basic Enrollment. Once enrolled in the program, a reduction of the service member’s pay becomes mandatory \$100 per month for a total of \$1,200. The deduction is considered an “Indebtedness Due to the United States.” Therefore, it ranks ahead of state income taxes and all other deductions of lower precedence. Within the “Indebtedness” category, it takes precedence over any debts due to the DoD since the reduction is deposited to a civil agency account.

5.3 Member of the Selected Reserve

The Secretary of Defense will recoup \$1,200 from Selected Reserve members within one year of completing their two-year active duty service obligation, which forms the basis for this entitlement. This recoupment may be achieved through basic pay deductions or other appropriate methods by the Secretary of Defense.

6.0 REFUNDS OR ERRONEOUS DEDUCTIONS FROM ACTIVE-DUTY MEMBERS

6.1 Current Year Deductions

If the refund takes place within the same fiscal year as the erroneous deduction was made, the payment to an active-duty member is charged to miscellaneous receipt account 36R2473. These transactions reduce the monthly deduction deposited to the miscellaneous receipt account 36R2472 and are reported to the DVA.

6.2 Prior Year Deductions

If the refund takes place after the close of the fiscal year in which the erroneous deduction was made, the payment to an active-duty member is made from Treasury appropriation 20X1807 – Refund of Monies Erroneously Received and Covered. Such payments are reported routinely on the Military Department's monthly Statement of Transactions. The Treasury Department is contacted by telephone if payments from 20X1807 in excess of \$100,000 are to be made in a given month. The report is provided to the Credit and Debt Management Branch, Financial Management Service at Treasury.

7.0 COLLECTION OF EDUCATIONAL DEBTS OWED TO THE GOVERNMENT BY SELECTED RESERVE

7.1 Selected Reserve Participation Refunds

Members of the Selected Reserve receiving educational assistance benefits under 10 U.S.C. Chapter 1606, and who fail to participate satisfactorily in required reserve training, may be required to refund an amount to the United States. This amount is calculated in accordance with the formula established at 10 U.S.C. 16135(b)(1).

7.2 Selected Reserve Participation Refund Calculation

The refund equals the product of the following:

7.2.1. The number of months of obligated service remaining under the agreement entered into by the reservist, divided by the original number of months of the original contract.

7.2.2. The total amount of educational assistance provided to the reservist increased by interest equal to the highest rate being paid by the Treasury on securities having a maturity of 90 days or less on the day on which the refund is determined to be due. The interest accrues from the day on which the reservist is first notified of the amount due to the U.S. Government as a refund.

7.3 Selected Reserve Data Collection Requirements

Each Military Department maintains data on Selected Reserve members who are:

7.3.1. Eligible for educational assistance.

7.3.2. Fail to participate satisfactorily.

7.3.3. Not excused from the responsibility to refund overpayments received under the Selected Reserve educational assistance program.

7.4 Collection of Debts Owed

Refer to *Volume 16*, “Department of Defense Debt Management” for policy on debt collection if a member (or retiree) does not fulfill the education obligation, and it is determined they owe a debt to the DoD.