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SUPPLEMENTAL VETERANS ADMINISTRATION APPROPRIATION FOR 1974 (H.J. Res. 941)

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HEARINGS BEFORE A SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES NINETY-THIRD CONGRESS SECOND SESSION

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**SUPPLEMENTAL VETERANS ADMINISTRATION
APPROPRIATION FOR 1974
(H.J. Res. 941)**

TUESDAY, MARCH 5, 1974.

VETERANS ADMINISTRATION

WITNESSES

D. E. JOHNSON, ADMINISTRATOR
C. R. HOFFMAN, CONTROLLER
O. W. VAUGHN, CHIEF BENEFITS DIRECTOR

Mr. SHIPLEY. We will take up the supplemental requests of the Veterans' Administration at this time. For "Compensation and Pensions" you are requesting \$137,800,000; for "Readjustment Benefits," \$750 million; and for "Medical Care," \$39,535,000; a total of \$927,335,000. Also for increased pay costs: "Medical Care," \$143,377,000; "Medical Administration and Miscellaneous Operating Expenses," \$1,463,000; "General Operating Expenses," \$22,023,000; and "Construction, Minor Projects," \$315,000; a total of \$167,178,000. This brings the total supplemental request to \$1,094,513,000. Do you have a statement, Mr. Administrator, at this time which you would like to make with regard to the supplemental?

Mr. JOHNSON. No, I do not.

JUSTIFICATION MATERIAL

Mr. SHIPLEY. We will place in the record at this point those parts of the supplemental appropriation proposals contained in the Appendix of the Budget of the United States Government, 1975, that pertain to the Veterans' Administration along with the budget justifications.

[The material follows:]

(1)

VETERANS ADMINISTRATION
SUPPLEMENTAL PROPOSALS

Appendix
Page No.

TITLE I

1022	Compensation and Pensions - - - - -	\$137,800,000
1022	Readjustment Benefits - - - - -	750,000,000
1022	Medical Care - - - - -	<u>39,535,000</u>
	Total - Title I - - - - -	927,335,000

TITLE II

1028	Medical Care - - - - -	143,377,000
1028	Medical Administration and Miscellaneous Operating Expenses - - - - -	1,463,000
1028	General Operating Expenses - - - - -	22,023,000
1028	Construction, Minor Projects - - - - -	<u>315,000</u>
	Total - Title II - - - - -	167,178,000
	Total - VA - - - - -	\$1,094,513,000

COMPENSATION AND PENSIONS

Program and Financing (in thousands of dollars)

Identification code 29-00-0102-1-1-300	1973 actual	1974 est.	1975 est.
Program by activities:			
1. Compensation:			
(b) Survivors:			
World War I.....	-----	4	-----
World War II.....	-----	1,119	-----
Korean Conflict.....	-----	223	-----
Vietnam era.....	-----	683	-----
Peacetime service.....	-----	371	-----
Total deceased veterans....	-----	2,400	-----
Total compensation.....	=====	2,400	=====
2. Pensions:			
(a) Veterans:			
World War I.....	-----	29,711	-----
World War II.....	-----	20,073	-----
Korean conflict.....	-----	1,604	-----
Vietnam era.....	-----	126	-----
Total living veterans.....	-----	51,514	-----
(b) Survivors:			
World War I.....	-----	35,988	-----
World War II.....	-----	26,197	-----
Korean conflict.....	-----	3,401	-----
Vietnam era.....	-----	600	-----
Total deceased veterans....	-----	66,186	-----
Total pensions.....	-----	117,700	-----
3. Burial benefits.....	-----	17,700	-----
10 Total obligations (object class 42.0).....	-----	137,800	-----
Financing:			
40 Budget authority (proposed supplemental appropriation).....	-----	137,800	-----
Relation of obligations to outlays:			
71 Obligations incurred, net.....	-----	137,800	-----
90 Outlays.....	-----	137,800	-----

VETERANS ADMINISTRATION

COMPENSATION AND PENSIONS

For an additional amount for "Compensation and Pensions" \$137,800,000, to remain available until expended.

VETERANS ADMINISTRATION

COMPENSATION AND PENSIONS

Additional funds in the amount of \$137,800 thousand will be required to make payments authorized by law, subsequent to the initial budget request. Obligations incurred against these funds arise by law and are not administratively controllable.

Newly enacted legislation, PL 93-177, effective January 1, 1974, which increased rates of pension payable to veterans and survivors of deceased veterans by approximately 10%, was the most significant piece of legislation that created the need for additional funds. In addition, this legislation also increased by 10%, the rates payable to parents in receipt of Dependency and Indemnity Compensation (D.I.C.). Projected cost of PL 93-177 is estimated to be \$120.1 million.

Additional new legislation, PL 93-43, approved June 18, 1973, and known as "The National Cemeteries Act of 1973" expanded the scope of burial benefits administered by the Veterans Administration and increased projected costs in FY 1974. Prior to PL 93-43, burial benefits administered by the Veterans Administration encompassed a \$250 burial allowance and the issuance of a flag to drape the casket of a deceased veteran. With the advent of PL 93-43, the Administrator is now authorized to pay a burial plot allowance of \$150 where an eligible veteran is not buried in a national cemetery or other cemetery under the jurisdiction of the United States, and a burial allowance up to \$800 when a veteran dies as the result of a service-connected disability. The estimated cost of this legislation is \$50.2 million in FY 1974, of which an additional \$17.7 million will be required.

A detailed summary of the additional requirements follows:

VETERANS ADMINISTRATION
COMPENSATION AND PENSIONS

ANALYSIS OF PROPOSED SUPPLEMENTAL FOR FY 1974
(\$'s in thousands)

	<u>Presently Available</u>	<u>Revised Estimate</u>	<u>Difference</u>
Compensation			
Veterans	\$3,172,909	\$3,172,909	\$...
Survivors	<u>747,224</u>	<u>749,624</u>	<u>+ 2,400</u>
Total compensation	3,920,133	3,922,533	+ 2,400
Pensions			
Veterans	1,373,418	1,424,932	+ 51,514
Survivors	<u>1,085,866</u>	<u>1,152,052</u>	<u>+ 66,186</u>
Total pension	2,459,284	2,576,984	+ 117,700
Other related benefits			
Burial benefits	117,555	135,255	+ 17,700
Miscellaneous	<u>15,792</u>	<u>15,792</u>	<u>...</u>
Total Cost/Obligations...	6,512,764	6,650,564	+ 137,800
Unobligated balance available, start of year	<u>- 6,764</u>	<u>- 6,764</u>	<u>...</u>
Appropriation requirements...	6,506,000	6,643,800	+ 137,800

READJUSTMENT BENEFITS

Program and Financing (in thousands of dollars)

Identification code 29-00-0137-1-1-802	1973 actual	1974 est.	1975 est.
Program by activities:			
1. Education and training: (a) Post-Korean conflict veterans	-----	700,051	-----
Change in selected resources (Prepayments and advance payments)	-----	49,949	-----
10 Total obligations	-----	750,000	-----
Financing:			
40 Budget authority (proposed supplemental appropriation)	-----	750,000	-----
Relation of obligations to outlays:			
71 Obligations incurred, net	-----	750,000	-----
72 Obligated balance, start of year	-----	-----	13,000
74 Obligated balance, end of year	-----	-13,000	-----
90 Outlays	-----	737,000	13,000

VETERANS ADMINISTRATION

READJUSTMENT BENEFITS

For an additional amount for "Readjustment Benefits", \$750,000,000, to remain available until expended.

VETERANS ADMINISTRATION
 READJUSTMENT BENEFITS

Additional funds in the amount of \$750,000 thousand will be required to supplement the initial appropriation for FY 1974. Obligations incurred against these funds arise by operation of law and as such are not administratively controllable.

This additional requirement is due primarily to expected increases in the number of trainees under Chapter 34 of Title 38 (Post Korean trainees) over the original estimates; similarly, the average cost of such trainees will apparently be higher than originally projected. A comparison of the initial and revised estimates follows:

	<u>Original Estimate</u>	<u>In Budget Revised Estimate</u>	<u>Increase</u>
Post-Korean Conflict			
Number of trainees	1,866,000	2,450,000	+584,000
Average Cost	\$1,225	\$1,237	\$+12
Cost (000)	<u>\$2,285,600</u>	<u>\$3,029,764</u>	<u>\$+744,164</u>

While a substantial increase in trainees was anticipated as a consequence of the increased benefits authorized by PL 92-540, "Vietnam Era Veterans Readjustment Assistance Act of 1972", other factors introduced by the new law seem to have provided additional stimuli for training. These include provision for payment of allowances in advance, and provision for personally contacting each educationally disadvantaged veteran, using peer group counselors (veteran trainees employed under a new work-study provision). This, coupled with the extensive outreach activities authorized under another new law (PL 92-318, Educational Amendment of 1972), has had considerable impact on the participation rate.

With the increase in trainees has come an increase in trainees with dependents for whom additional educational allowance is paid, thereby increasing the average cost per trainee.

On the basis of this training increase of 584,000 and the \$12 increase in unit cost, an additional requirement of \$744 million is expected. Because of the anticipated increase in participation, the allowances paid in advance are similarly expected to increase, thus adding approximately \$50 million to our requirements. These increases, however, will be offset by some downward revisions in other phases of the Readjustment Benefits program.

A detailed summary of the additional requirements follows:

VETERANS ADMINISTRATION
 READJUSTMENT BENEFITS
ANALYSIS OF PROPOSED SUPPLEMENTAL FOR FY 1974
 (\$'s in thousands)

Program by activities:	IN BUDGET		
	Original Estimate	Revised Estimate	Difference
Post-Korean	\$2,285,600	\$3,029,764	\$+744,164
Sons and Daughters	105,000	96,000	-9,000
Wives and Widows	18,000	14,000	-4,000
Vocational Rehabilitation	93,025	70,550	-22,475
Housing	11,375	11,375
Automobiles	<u>13,000</u>	<u>8,000</u>	<u>-5,000</u>
Total cost	2,526,000	3,229,689	+ 703,689
Change in selected resources	49,949	+49,949
Total obligations	<u>2,526,000</u>	<u>3,279,638</u>	<u>+753,638</u>
Unobligated balance available start of year	-3,638	-3,638
Unobligated balance available end of year	<u>....</u>	<u>....</u>	<u>....</u>
Appropriation Requirements	<u><u>2,526,000</u></u>	<u><u>3,276,000</u></u>	<u><u>+ 750,000</u></u>

Workload:

Number of trainees

Post-Korean conflict veterans.	1,866,000	2,450,000	+ 584,000
Sons and daughters.....	70,000	61,600	- 8,400
Wives and widows	16,000	11,500	- 4,500
Vocational rehabilitation	38,000	29,000	- 9,000
Number of housing grants	650	650	...
Number of automobiles or other conveyances purchased	3,810	2,000	- 1,810

MEDICAL CARE

Program and Financing (in thousands of dollars)

Identification code 29-00-0160-1-1-804		1973 actual	1974 est.	1975 est.
Program by activities:				
Operating costs, funded:				
1. Maintenance and operation of VA facilities:				
	(a) VA hospital care.....		29,512	
	(b) Nursing home care.....		1,687	
	(c) Domiciliary care.....		920	
	(d) Outpatient care.....		68	
	(e) Miscellaneous benefits and services.....		307	
3. Grants for State home care:				
	(a) Domiciliary.....		1,935	
	(b) Nursing home.....		1,338	
	(c) Hospitalization.....		833	
4. Civilian health and medical program of the Veterans Administration:				
	(a) Hospitalization.....		1,214	
	(b) Outpatient care.....		1,721	
10	Total, obligations.....		39,535	
Financing:				
40	Budget authority (proposed supplemental appropriation).....		39,535	
Relation of obligations to outlays:				
71	Obligations incurred, net.....		39,535	
72	Obligated balance, start of year.....			1,185
74	Obligated balance, end of year.....		-1,185	
90	Outlays.....		38,350	1,185

VETERANS ADMINISTRATIONMedical CareAppropriation Language

For an additional amount for Medical Care, \$39,535,000.

MEDICAL CARE

A fiscal year 1974 supplemental appropriation in the amount of \$39,535,000 is requested to provide funding support for (1) the increased cost of provisions totaling \$10,194,000 and (2) implementation of the program revisions related to Public Law 93-82, the Veterans Health Care Expansion Act of 1973, approved August 2, 1973, amounting to \$29,341,000. The following is a detailed explanation of the request:

1. Increased cost of provisions. The continuing impact of price escalation for food items due to current inflationary trends and shortages, as confirmed in the projection of the Council of Economic Advisors, is substantial. This was not provided for in the Agency's original estimate on which the currently available appropriation was based. A total of \$53,206,000 had been programmed for provisions whereas the best estimate at this time is \$63,400,000--an increase of \$10,194,000 or 19 percent.
2. Implementation of Public Law 93-82 program provisions. The fiscal year 1974 supplemental request related to P.L. 93-82 provides for:
 - (a) Initial funding and activation of the Civilian Health and Medical Program of the Veterans Administration (CHAMPVA). Under CHAMPVA inpatient hospitalization and outpatient medical care will be provided for the wife or child of a veteran who has a total disability, permanent in nature, resulting from a service-connected disability and for the widow or child of a veteran who died as a result of a service-connected disability - provided the beneficiary isn't already eligible under CHAMPUS. This medical care is to be provided in the same manner and subject to the same limitations as medical care furnished to certain dependents and survivors of active duty and retired members of the Armed Forces under chapter 55 of title 10 (CHAMPUS).

Requested supplemental funding for CHAMPVA in fiscal year 1974 totals \$2,935,000, which is to provide for an estimated average daily inpatient census in community hospitals of 33 - at a cost of \$1,214,000 and for 114,700 outpatient medical visits to private physicians - at a cost of \$1,721,000.

- (b) Overtime, night differential, Sunday, holiday and on-call pay for Veterans Administration nurses in addition to their basic compensation.

Requested supplemental funding for nurses' overtime and premium pay benefits in fiscal year 1974 totals \$22,300,000. These nurse compensation increases under P.L. 93-82 were effective September 1, 1973.

- (c) Increased Veterans Administration per diem payments to States for care of veterans in the State home domiciliary, nursing home and hospital programs.

Under P.L. 93-82, the per diem rates authorized for payments to State home programs were increased from \$3.50 to \$4.50 for domiciliary care; from \$5.00 to \$6.00 for nursing home care; and from \$7.50 to \$10.00 for hospital care.

The total requested supplemental funding for these increased per diem rates in fiscal year 1974 is \$4,106,000.

TITLE II

Veterans Administration Pay Raise &
Wage Board Supplemental Request - FY 1974 - \$167,178,000

The following amounts are requested to cover increase costs due to the January 7, 1973, and October 14, 1973, pay increases and for wage board increases:

Medical Care

Pay Raise Cost	\$127,077,000
Wage Board Cost	<u>16,300,000</u>
TOTAL	143,377,000

Medical Administration and
Miscellaneous Operating
Expense - Pay Raise Cost

1,463,000

General Operating Expenses - Pay Raise Cost 22,023,000

<u>Construction - Minor - Pay Raise Cost</u>	<u>315,000</u>
TOTAL	\$167,178,000

The above request provides for the full funding of the requirements for pay raises and wage board increases for all appropriation accounts with the exception of the following amounts which are being absorbed:

Medical and Prosthetics Research	\$ 4,187,000
Construction, Minor	363,000

While these requirements are identified in this justification, the specific request is included in a government-wide supplemental item for pay raise and wage board costs.

OUT OF FUNDS

Mr. JOHNSON. We have been in touch with the committee on the matter of the supplemental, and again this year it is urgent. Our best estimates at this point in time will show us to be out of money for "Readjustment benefits" about April 25.

Mr. BOLAND. Just glancing rapidly at that supplemental, I would think these are expenses which are practically uncontrollable.

OMB REDUCTION IN FISCAL YEAR 1974

Mr. ROUSH. Mr. Chairman, they are uncontrollable, but I think it is inexcusable they come before the committee for this supplemental in view of the fact last year Mr. Johnson was asking for these very same funds in these very same areas and was denied those funds by the Office of Management and Budget.

Mr. JOHNSON. Mr. Chairman, if I might respond, for "Readjustment benefits," there was a disagreement. The increase in the "Compensation and pensions," Congressman Roush, is due to the increases which the Congress has voted; for "Medical care" there's about \$29 million which is the result of Public Law 93-82 which became effective September 1 after the budget had been submitted. This provides for the implementation of that law. About \$10 million we are asking for is to cover an increase in the cost of provisions. That \$10 million, of course, could perhaps have been forecast.

The pay raise is another item of over \$167 million which we didn't have any control over.

Mr. ROUSH. I have before me last year's testimony, and in the area of "Compensation and pensions," Mr. Johnson had asked OMB for \$207.2 million more than he received permission to ask for of this committee. Now he is asking for \$137,800,000 more in the area of "Compensation and pensions." For "Readjustment benefits," he asked for \$455.7 million more than OMB granted him. He is now asking for \$750 million for "Readjustment benefits" in the supplemental.

In 1974, he asked for \$173.4 million more for "Medical care" than OMB allowed him. The supplemental request for "Medical care" includes, \$39,535,000 under title I and \$143,377,000 under title II. Under "General operating expenses," he asks for a supplemental of \$22 million. So I think my case is justified.

I don't blame Mr. Johnson because I think he was right last year, but it does seem to me that the Office of Management and Budget was doing a little playing around with the Veterans' Administration budget last year, surely knowing very well they were going to have to ask for this supplemental.

I have always viewed a supplemental request as something in the nature of an emergency. It is apparently that now, but not because of new circumstances, but because they refused to acknowledge the advice and counsel of the Veterans' Administration last year.

Mr. BOLAND. I am sure this committee would not quarrel with that statement. We have experienced difficulties with the Office of Management and Budget across the whole spectrum of governmental activities, so the VA, of course, is not an orphan in this area.

The problem is whether or not failure to budget these particular items at that time actually does damage to any of the veterans. What is your response to that?

Mr. JOHNSON. Well, of course, Mr. Chairman, on the matter of "Compensation and pensions," the fact of the matter is that OMB was correct in their estimates of the numbers under the existing legislation, and this is the reason they cut us.

Of this supplemental, \$120 million is for Public Law 93-177, which became effective January 1, 1974. About \$17.7 million is under Public Law 93-43, the cemetery bill, which set up the burial allowance and other benefits.

Now, we would have been caught in a bind on "Medical care." We asked for more money. We did not receive it. The Congress did increase it.

We operated within that, but since that time there has been legislation enacted which has required additional funds, and that is what we are asking for, primarily for Public Law 93-82. If we had received the larger amount a year ago and then you passed this legislation, which was good legislation, and OMB had told us, "We will take it out of your budget," "eat it," as has been done before, we would be between a rock and a hard place all the time.

READJUSTMENT BENEFITS SUPPLEMENTAL

Mr. BOLAND. What effect does the failure to provide sufficient funds in these areas, particularly in "Readjustment benefits," have upon the veterans themselves?

Mr. JOHNSON. If we don't receive the three-quarters of a billion dollars, we simply will not pay any checks; and we cannot be in that position.

On the matter of "Readjustment benefits," so that the record is clear, the Veterans' Administration was in error in its projections as to the numbers who were going to attend school. We had a tremendous increase for fiscal year 1974. Far beyond our expectations. It is the kind of problem we would like to have if we are going to have problems because the veteran was responding earlier, taking advantage of going to institutions of higher learning in far greater numbers than we expected.

Mr. ROUSH. But you weren't as much in error as the \$750 million figure would indicate?

Mr. JOHNSON. That is true, sir. We still would have had to come in for a supplemental.

Mr. ROUSH. You had estimated \$455.7 million more than you received from OMB.

Mr. JOHNSON. We still would have had to ask for \$300 million.

Mr. ROUSH. I am not arguing with the supplemental, Mr. Chairman.

Mr. BOLAND. I think your statement is valid. I believe OMB missed the boat completely.

INFORMATION IN SUPPLEMENTAL JUSTIFICATIONS

Mr. SHIPLEY. Mr. Administrator, how does the VA know and how can the committee determine that the amounts requested are proper

amounts from the meager information that you have included in the justification of these items?

Mr. JOHNSON. First of all, sir, on the matter of compensation and pensions, and I think we need to break out the various categories in that it is a mathematical procedure in the supplemental request that Public Law 93-177 which increased pension rates will require \$120.1 million, and that the Cemetery Act, Public Law 93-43, will require an additional \$17.7 million to make up what is needed of that \$137,800,000.

On readjustment benefits we, of course, have discussed this, and the increase is due primarily to the factor of substantially increased enrollees. There is a small factor of the average cost per student going up. Of course some of this comes because they are married or have additional dependents, things of that kind. It is \$12 per trainee.

For medical care, the increased cost of provisions makes up \$10,194,000 of the request. Here we have used an increased factor in the cost of foodstuffs, and the best estimate we would have is about a 19-percent increase bringing that total provision up to \$63 million plus.

For Public Law 93-82, the \$29,341,000 represents implementation costs. Among other things, the bill covered dependents of certain disabled veterans. We estimate for this program it will take \$2,935,000 in 1974. We can figure, of course, pretty accurately the overtime and the premium pay for nurses, which will be \$22,300,000.

Then the rest of Public Law 93-82, of course, is a straight mathematical projection. The increased per diem rates for State home domiciliary care, nursing care, and hospital care, \$4,106,000.

The wage board and the pay raises also can be calculated very closely.

INFLATIONARY CHANGES

Mr. SHIPLEY. Mr. Administrator, what effect do inflation, unemployment, and structural changes have on supplemental requests? How do you figure in these factors? Do you have a formula that you use?

Mr. JOHNSON. I have to talk to the money people.

Mr. HOFFMAN. Mr. Chairman, the only inflation, the only specific additional costs we have recognized as the Administrator said is the \$10,194,000 for the increased cost of provisions in medical care. As identified this morning, the only other one we recognize in the case of construction, where we advance the costs to January 1975, or estimated date of construction award. But that, of course, is not covered in the supplemental.

Mr. SHIPLEY. In other words you do not have a formula.

Mr. HOFFMAN. We do not have a formula to apply, no, sir.

COMPENSATION AND PENSION RATE REDUCTIONS

Mr. SHIPLEY. In the committee's hearings on the original request for 1974, there was considerable discussion about a proposed savings of \$160 million in compensation and pensions to be brought about by administrative rate reductions. What has happened with regard to this proposal?

Mr. JOHNSON. That proposal is no longer under any consideration. The Congress and the President, both the committees and the Congress, have said they intend to pass an increase in compensation. The

President requested it. We have noted that those studies along with others would show that certain categories of disabled veterans have been undercompensated. The President in his letter to the Congress suggested that we would be raising those, but with no losses to anybody.

READJUSTMENT BENEFIT ESTIMATES

Mr. SHIPLEY. Readjustment benefits have been so consistently underestimated over the last 5 years as to raise questions as to the validity of the VA management and projections. For example, at the same time the supplemental was requested last spring, a decline was being projected for fiscal year 1974. What has happened to date in 1974?

Mr. JOHNSON. For readjustment benefits I don't think the record is all that bad. In 1973 there was legislation that changed it. In 1972 we were right on the mark. In 1971 there was some change in legislation. I don't think it has been all that bad.

We missed it badly this year and we admit that.

Mr. SHIPLEY. What is the situation for 1975 as projected by the VA to the OMB, and as reflected by the 1975 budget?

Mr. JOHNSON. I didn't understand that question.

Mr. SHIPLEY. What is the situation for 1975 as projected by the VA to OMB, and as reflected in the 1975 budget amounts?

Mr. JOHNSON. The amount that we are requesting is the advice that we receive from our very best experts, and OMB concurred in our projections.

Mr. SHIPLEY. A decrease of \$568 million is projected for outlays for readjustment benefits in 1975, exclusive of proposed legislation. Why is that?

Mr. JOHNSON. That is just a mathematical calculation. If you have so many trainees at such a cost you come up with your total dollars. If the decline in eligible veterans occurs, and there is no other legislation that would extend the eligibility, then there will be a decline in the dollars. As we pointed out, there are 530,000 whose eligibility expires this spring, who are now in school, and thus unless they are extended, we don't need the dollars. Of course we must propose to you, based upon current legislation.

Mr. TIERNAN. Will you yield?

Mr. SHIPLEY. Certainly.

ELIGIBILITY EXPIRATION

Mr. TIERNAN. What was the number that lost eligibility last year?

Mr. VAUGHN. Under the Vietnam era GI bill the first 8 years will expire later this year. This is our first 8-year run. This is the end of the 8-year period.

Mr. TIERNAN. Do you think a 2-year extension will be sufficient or do you think we will have to go into another 2 years?

Mr. JOHNSON. This is a decision that the Congress must make. In World War II they extended it 1 year past the 8. For Korea they didn't do it at all. It is a definition of the readjustment. Is 8 years after discharge a sufficient length of time to receive your education? Whatever date is chosen is going to be an arbitrary date for somebody.

CASELOADS AND COSTS

Mr. SHIPLEY. Mr. Administrator, what do the most current trends in computer programs of the VA show as to the compensation and pension and readjustment benefits requirements? Both in cases and in costs for the balance of fiscal year 1974 for each month and for each month in fiscal 1975. If you do not have that, you can furnish it for the record.

Mr. VAUGHN. If you want it by month we will have to furnish it for the record.

[The information follows:]

Compensation and Pensions
Estimated Expenditures FY 1974 - 1975
(\$'s in thousands)

FY 1974 thru	COMPENSATION		PENSIONS		Burial	Other	Total Cost <u>1/</u>
	Cases	Cost	Cases	Cost			
Jan.	2,578,334	\$2,291,211	2,327,249	\$1,482,586	\$52,195	\$11,226	\$3,837,218
Feb.	2,580,000	332,631	2,276,000	204,787	11,310	1,121	549,849
Mar.	2,580,000	332,891	2,282,000	216,731	12,070	550	562,242
Apr.	2,579,000	333,453	2,293,000	218,884	12,230	1,096	565,663
May	2,579,000	333,675	2,300,000	220,458	12,390	593	567,116
June	2,578,000	333,846	2,300,000	220,939	12,485	1,206	568,476
Total	2,579,000 (Avg. No.)	\$3,957,707	2,312,000 (Avg. No.)	\$2,564,385	\$112,680	\$15,792	\$6,650,564

FY 1975	COMPENSATION		PENSIONS		Burial	Other	Total Cost
	Cases	Cost	Cases	Cost			
July	2,577,000	332,433	2,293,000	218,211	11,600	604	562,848
Aug.	2,576,000	331,304	2,298,000	218,687	11,148	1,167	562,306
Sept.	2,575,000	330,763	2,302,000	219,068	8,056	7,007	564,894
Oct.	2,574,000	330,435	2,305,000	219,353	10,709	1,121	561,618
Nov.	2,573,000	330,168	2,313,000	220,115	10,184	1,217	561,684
Dec.	2,572,000	329,878	2,324,000	221,161	12,790	606	564,435
Jan.	2,571,000	329,464	2,261,000	215,166	11,630	652	556,912
Feb.	2,570,000	329,184	2,248,000	213,929	11,977	1,162	556,252
Mar.	2,569,000	328,865	2,254,000	214,500	12,150	571	556,086
Apr.	2,568,000	328,343	2,265,000	215,547	11,803	1,137	556,830
May	2,567,000	327,898	2,272,000	216,213	11,457	615	556,183
June	2,566,000	327,285	2,273,000	216,307	12,038	522	556,152
Total	2,572,000 (Avg. No.)	\$3,956,020	2,284,000 (Avg. No.)	\$2,608,257	\$135,542	\$16,381	\$6,716,200

1/ Includes current supplemental request.

Readjustment Benefits
Estimated Expenditures FY 1974-1975
(\$'s in thousands)

FY 1974 thru	POST-KOREAN CH. 34		DEPENDENTS CH. 35		VOC. REHAB. CH. 31		Total Cost <u>1/</u>
	Trainees	Cost	Trainees	Cost	Trainees	Cost	
	Jan.	1,940,000	\$1,628,695	62,000	\$63,329	24,200	
Feb.	2,141,000	312,006	64,600	12,139	25,400	6,470	332,399
Mar.	2,274,000	318,983	66,800	12,445	26,400	6,840	340,082
Apr.	2,300,000	321,907	69,000	11,186	27,300	6,864	341,931
May	2,375,000	267,194	71,300	7,864	28,300	6,650	283,534
June	2,450,000	180,979	73,100	3,037	29,000	5,399	191,788
Total	2,450,000	\$3,029,764	73,100	\$110,000	29,000	\$70,550	\$3,229,689

1/ Includes current supplemental request.

FY 1975	POST-KOREAN CH. 34		DEPENDENTS CH. 35		VOC. REHAB. CH. 31		Total Cost <u>1/</u>
	Trainees	Cost	Trainees	Cost	Trainees	Cost	
	July	718,000	\$130,810	16,800	\$5,039	11,000	
Aug.	808,000	101,225	25,700	3,251	12,500	5,415	111,680
Sept.	1,114,000	142,291	40,700	6,505	14,800	3,700	153,789
Oct.	1,304,000	236,595	47,900	11,214	18,300	6,164	255,239
Nov.	1,344,000	263,426	55,300	13,600	22,000	7,646	285,976
Dec.	1,463,000	229,324	62,600	13,277	22,300	6,551	250,373
Jan.	1,581,000	224,132	64,500	13,063	23,400	6,774	245,561
Feb.	1,744,000	254,209	67,200	12,602	24,500	6,899	275,584
Mar.	1,852,000	259,894	69,500	12,920	25,500	7,294	281,973
Apr.	1,874,000	262,276	71,700	11,613	26,400	7,319	283,238
May	1,935,000	217,699	74,100	7,957	27,300	7,091	234,625
June	1,996,000	146,645	76,000	3,159	28,000	5,377	157,621
Total	1,996,000	\$2,468,526	76,000	\$114,200	28,000	\$75,230	\$2,677,881

Mr. SHIPLEY. Thank you very much.

Mr. BOLAND. Are there any other questions?

ABSORPTION OF 1974 PAY SUPPLEMENTALS

Mr. TIERNAN. Yes, Mr. Chairman. Regarding supplemental justification for 1974, what is that \$315,000 for on the last page, page II-1?

Mr. JOHNSON. The \$315,000 is the pay raise for the administrative personnel in construction. That is covered under the appropriation "Construction, minor projects."

Mr. TIERNAN. What about the \$363,000 you show for "Construction, minor projects." What is that for?

Mr. HOFFMAN. There was a reduction between the number of personnel that had been requested and the amount which was allowed, the number of people allowed. This is the associated reduction of their payroll costs. That is administrative cost.

Mr. TIERNAN. So you are absorbing that amount, is that correct?

Mr. JOHNSON. Correct.

Mr. TIERNAN. Where do you get this \$4,187,000 in medical and prosthetic research? You are not going to spend that in 1974?

Mr. JOHNSON. We are absorbing the pay raise in that account.

Mr. TIERNAN. That is an awfully large amount to absorb out of research, isn't it?

Mr. HOFFMAN. There was a \$6,285,000 carryover as I recall from 1973 into 1974.

Mr. TIERNAN. In that account?

Mr. HOFFMAN. Yes.

Mr. TIERNAN. Didn't OMB reduce you in your request for that item?

Mr. JOHNSON. Yes, sir, for 1975 it was \$5.8 million.

Mr. TIERNAN. You had a carryover, and then you used almost that amount that you have been reduced by OMB and you absorbed the pay raise.

Mr. JOHNSON. Yes.

Mr. HOFFMAN. There was a projected \$4.8 million carryover into 1974 which in actuality ended up being \$6.3 million as I recall.

Mr. TIERNAN. Is this a 1-year fund?

Mr. HOFFMAN. The one you are talking about is a no-year appropriation.

Mr. TIERNAN. That is what I wanted to find out. How much did you request for 1974 that you can have some \$4 million left over to absorb pay raises?

Mr. JOHNSON. We were cut some, although we have had substantial increases in medical and prosthetic research over the last several years.

Mr. TIERNAN. Is it because the war is over that you are able to do that?

Mr. JOHNSON. No. In fact, I think except for the portion that goes into prosthetics, there is very little direct relationship to war.

Mr. TIERNAN. This is more basic research?

Mr. JOHNSON. Clinical research, such as hypertension, anemia, drug dependence, which is not really associated with the war, at least in

large dollar figures. We have some emphasis on research scheduled for 1975 on brain damage among the younger veterans, which of course would have a relationship.

Mr. TIERNAN. According to last year's hearings, on page 533, your request was \$87.5 million to OMB. Your request to the Congress was \$71 million. They cut you \$16.5 million, and then you end up with over \$4 million. Did the Congress cut you?

Mr. JOHNSON. No, in fact you added. The final bill was \$75.5 million.

Mr. TIERNAN. How did that come about, does anyone know?

Mr. JOHNSON. Yes. The Senate added it to our request.

Mr. TIERNAN. Then that is why. That is kind of bad policy though, isn't it?

Mr. JOHNSON. Not all together.

Mr. TIERNAN. Why did the Senate put it in there? They must have wanted you to spend money for some special reason. Why did they put the additional funds in?

Mr. JOHNSON. They discussed inflation during the dialog more than anything else. As I understood their discussion, it was felt that we were not keeping up with the inflationary pressures.

Mr. TIERNAN. That is kind of a mini impoundment, isn't it?

Mr. JOHNSON. It is.

Mr. TIERNAN. From the direction of the Congress to spend \$75.5 million.

Mr. JOHNSON. Because these are no-year funds, and I do want to point out we brought in a Director of Research who was given some redirection in policy. The things that we wanted him to do were to direct the projects and to take a look at the review mechanisms to make sure that we were maximizing the benefit to the veteran and the use of the dollar. I have to say that Dr. Newcomb attacked this with great vigor and brought about the curtailment and the discontinuance of some programs which professionals stated had marginal scientific merit. There has been some reorganization also to bring about economies. He has reduced special-purpose laboratories, so that there were some savings that were not anticipated that have been carried forward. It is our intent to utilize the moneys that we have requested. One major reason is, of course, the number of new affiliations and new hospitals which will be opening, and have opened here in recent months.

Mr. TIERNAN. Let me ask you one other question. On the last page of these requests that you are making in the supplemental, what is the significance of those last two items there? Does that mean you are going to take that money and use it for the pay increase?

Mr. JOHNSON. Yes, sir.

Mr. TIERNAN. Does that cover the actual pay increases?

Mr. JOHNSON. No. The pay increases total \$167 million plus the \$4 million.

Mr. TIERNAN. Plus the \$4 million?

Mr. JOHNSON. Yes, plus the \$4 million. What in effect is happening, Congressman, is that we are asked to absorb the \$4 million out of the current budget. This is the lowest percentage we have been asked to absorb in many years. Many times you know we have been told, "absorb the pay raise."

Mr. TIERNAN. You say, "The above request provides for the full funding of the requirements for pay raises and wage board increases for all the appropriation accounts with the exception of the following amounts which are being absorbed." That is the pay increase in those items?

Mr. JOHNSON. This whole sheet is pay increases.

Mr. TIERNAN. All right, I get you.

Mr. JOHNSON. If we had come up for the full amount, we would have asked for \$171 million plus, but we are asking for only \$167 million.

Mr. TIERNAN. Thank you.

Mr. BOLAND. Are there any other questions? Thank you very much, Mr. Administrator, for your presentation.

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