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# UNITED STATES SOLDIERS' AND AIRMEN'S HOME

GOVERNMENT DOCUMENTS

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## HEARING

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BEFORE THE  
SUBCOMMITTEE ON GENERAL LEGISLATION  
OF THE  
COMMITTEE ON ARMED SERVICES  
UNITED STATES SENATE  
NINETY-FOURTH CONGRESS

SECOND SESSION

ON

### H.R. 13549

TO PROVIDE FOR ADDITIONAL INCOME FOR THE UNITED STATES SOLDIERS' AND AIRMEN'S HOME BY REQUIRING THE BOARD OF COMMISSIONERS OF THE HOME TO COLLECT A FEE FROM THE MEMBERS OF THE HOME; BY APPROPRIATING NONJUDICIAL FORFEITURES FOR SUPPORT OF THE HOME; AND BY INCREASING THE DEDUCTIONS FROM PAY OF ENLISTED MEN AND WARRANT OFFICERS

SEPTEMBER 7, 1976

Printed for the use of the Committee on Armed Services



U.S. GOVERNMENT PRINTING OFFICE

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## CHRONOLOGICAL LIST OF PUBLICATIONS

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1442.2

## TO PROVIDE FOR ADDITIONAL INCOME FOR THE U.S. SOLDIERS' AND AIRMEN'S HOME

WEDNESDAY, SEPTEMBER 7, 1976

U.S. SENATE,  
SUBCOMMITTEE ON GENERAL LEGISLATION OF THE  
COMMITTEE ON ARMED SERVICES,  
*Washington, D.C.*

The subcommittee met at 10:20 a.m., pursuant to notice, in room 212, Russell Senate Office Building, Hon. Harry F. Byrd, Jr., chairman, presiding.

Present: Senators Byrd and Thurmond.

Also present: W. Clark McFadden II, general counsel; John T. Ticer, chief clerk; Charles J. Conneely, Kenneth W. Fish and John A. Goldsmith, professional staff members; Doris E. Connor, clerical assistant; Louise R. Hoppe, research assistant; Will Ball, assistant to Senator Tower; and Christopher Lehman, assistant to Senator Byrd.

Senator BYRD. The committee will come to order. I apologize for being late. I was held up with some telephone calls.

This morning, the General Legislation Subcommittee meets to consider legislation to increase the revenues available to support the operations of the U.S. Soldiers' and Airmen's Home. The subcommittee has before it S. 2441, a bill introduced by Senators Thurmond, Goldwater, Tower, and Young. A similar bill, H.R. 13549, was introduced in the House of Representatives and has passed the House with amendments.

(The bills follow:)

(1)

94TH CONGRESS  
1ST SESSION

# S. 2441

---

## IN THE SENATE OF THE UNITED STATES

OCTOBER 1 (legislative day, SEPTEMBER 11), 1975

Mr. THURMOND (for himself, Mr. GOLDWATER, Mr. TOWER, and Mr. YOUNG) introduced the following bill; which was read twice and referred to the Committee on Armed Services

---

## A BILL

To provide for additional income for the maintenance and support of the United States Soldiers' and Airmen's Home by appropriating nonjudicial forfeitures of pay for the support of such home; by authorizing the Board of Commissioners of such home to collect a fee from the members of the home; and by increasing the amount that may be deducted from the pay of enlisted men and warrant officers for the support of such home.

- 1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*  
3        That section 4818 of the Revised Statutes is amended by—  
4                (1) inserting “(á)” immediately after “SEC.  
5        4818.”;

1           (2) inserting "and all forfeitures of pay imposed  
2           under authority of section 815 (article 15) of title 10,  
3           United States Code" immediately after "courts-martial";  
4           and

5           (3) adding at the end of such section a new subsec-  
6           tion as follows:

7           "(b) The Board of Commissioners of the Soldiers'  
8           Home is authorized to impose and collect from inmates of  
9           the home a fee which may be used solely for the operation  
10          of the home. The amount of the fee shall be determined by  
11          the Board of Commissioners on the basis of the financial  
12          needs of the home and the ability of the inmates to pay."

13          SEC. 2. The Act entitled "An Act to provide further  
14          for the maintenance of the United States Soldiers' Home",  
15          approved February 13, 1936 (49 Stat. 1137; 24 U.S.C.  
16          44a), is amended by striking out "25 cents" and inserting  
17          in lieu thereof "\$1".

94TH CONGRESS  
2D SESSION

# H. R. 13549

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IN THE SENATE OF THE UNITED STATES

MAY 19, 1976

Read twice and referred to the Committee on Armed Services

---

## AN ACT

To provide for additional income for the United States Soldiers' and Airmen's Home by requiring the Board of Commissioners of the Home to collect a fee from the members of the Home; by appropriating nonjudicial forfeitures for support of the Home; and by increasing the deductions from pay of enlisted men and warrant officers.

1        *Be it enacted by the Senate and House of Representa-*  
2        *tives of the United States of America in Congress assembled,*

3        That (a) for months after the month in which this Act is  
4        enacted, the Board of Commissioners of the United States  
5        Soldiers' and Airmen's Home (hereinafter in this section  
6        referred to as the "Home") shall collect a fee from each  
7        member of the Home.

8        (b) (1) Except as provided in paragraph (2) of this

1 subsection, the amount of the fee required to be collected from  
2 each member of the Home pursuant to subsection (a) shall  
3 be—

4 (A) for months after the close of the sixty-month  
5 period referred to in subparagraph (B) of this para-  
6 graph, an amount equal to 25 per centum of—

7 (i) the monthly amount of the military retired  
8 pay of the member,

9 (ii) the monthly amount of the disability com-  
10 pensation or pension paid by the Administrator of  
11 Veterans' Affairs to the member; or

12 (iii) the monthly amount of military retired pay  
13 and such disability compensation, in the case of any  
14 member receiving both; and

15 (B) for months during the sixty-month period  
16 beginning with the month after the month in which this  
17 Act is enacted, an amount equal to such percentage (but  
18 less than 25 per centum) of the monthly amount of mili-  
19 tary retired pay, disability compensation, or pension, as  
20 the case may be, of each member as the Board of Com-  
21 missioners may determine to be appropriate to provide  
22 for an incremental phasing-in of the fee amount specified  
23 in subparagraph (A) of this paragraph.

24 (2) In any case in which a member of the Home has  
25 assigned more than 75 per centum of his disability compen-

1 sation or pension payable by the Administrator of Veterans'  
2 Affairs to his child, wife, or parent pursuant to section 4 of  
3 the Act of March 3, 1883 (24 U.S.C. 52), the amount of  
4 the fee collected under this section for each member for each  
5 month shall equal the monthly amount of the disability com-  
6 pensation or pension payable pursuant to such section 4 to  
7 the treasurer of the Home on behalf of such member, but  
8 adjusted accordingly during the sixty-month period referred  
9 to in paragraph (1) (B) of this subsection to carry out the  
10 purposes of such paragraph.

11 (c) All fees collected pursuant to this section shall be  
12 for the sole and exclusive use of the Home.

13 SEC. 2. Section 4818 of the Revised Statutes of the  
14 United States (24 U.S.C. 44) is amended by inserting "or  
15 under authority of section 815 of title 10, United States  
16 Code" before ", over and above".

17 SEC. 3. The Act of February 13, 1936, chapter 66 (24  
18 U.S.C. 44a), is amended by striking "25 cents," and insert-  
19 ing in place thereof "50 cents".

Passed the House of Representatives May 18, 1976.

Attest: EDMUND L. HENSHAW, JR.

*Clerk.*

Although they differ in some significant respects, both S. 2441 and H.R. 13549 would augment the revenues of the home in three ways:

- (1) Increase the production from the monthly pay of regular enlisted men that goes to support the home;
- (2) Require the Board of Commissioners of the home to collect a fee from members of the home; and,

(3) Authorize the payment to the home of nonjudicial forfeitures derived from "article 15" punishment under the Uniform Code of Military Justice.

The Soldiers' and Airmen's Home has a long and proud history of service to our Nation. It has provided an opportunity for all retired and disabled enlisted men and warrant officers of the Army and Air Force to live their declining years in dignity.

The Standing Rules of the Senate specifically provide that the Armed Services Committee have jurisdiction over the home. This committee has long been dedicated to assuring the vitality of the home. In considering this legislation to provide financial relief to the home, the subcommittee will want to focus especially on the following questions:

(1) Why, after over 100 years of successful operation, is the home now operating at a deficit?

(2) What are the financial needs of the home in the short term and the long term?

(3) Are the proposed increases in revenue for the home appropriate and equitable?

(4) Why is legislation necessary to cure the financial difficulties of the home?

The witnesses this morning are Lt. Gen. F. T. Unger, USA (retired), President of the Board of Commissioners and Governor of the Home and Vice Adm. J. G. Finneran, Deputy Assistant Secretary of Defense for Military Personnel Policy.

Gentlemen, you may proceed as you wish.

**STATEMENT OF LT. GEN. F. T. UNGER, USA (RETIRED), GOVERNOR, U.S. SOLDIERS' AND AIRMEN'S HOME, ACCOMPANIED BY COL. ERNEST JANES, SECRETARY TREASURER AND MR. RAMOND GRITTON, BUDGET OFFICER**

General UNGER. Mr. Chairman, thank you. I have a formal statement which I would like to place in the record. Copies of this statement have been provided to the members of the committee.

[The statement follows:]

**STATEMENT OF LT. GEN. F. T. UNGER, GOVERNOR, UNITED STATES SOLDIERS' AND AIRMEN'S HOME**

**PURPOSE OF STATEMENT**

The purpose of this statement is to furnish information to the Committee for its consideration of S. 2441, a bill which would provide three additional sources of income for the United States Soldiers' and Airmen's Home, as follows: (1) authorize the Board of Commissioners of the Home to collect a fee from the members of the Home; (2) allow nonjudicial forfeitures to be used for the support of the Home; and, (3) authorize the Secretary of the Army, with the concurrence of the Secretary of the Air Force, to increase the monthly deductions from the pay of Regular Army and Regular Air Force enlisted and warrant officer personnel.

**THE FOUNDING AND MISSION OF THE HOME**

The Home was established by Congress in 1851 for the relief and support of old, invalid, or disabled soldiers of the Regular Army. Basic eligibility criteria have not been changed except to cover airmen and enlisted women of both services. The Home's name has been changed to properly reflect the airmen's eligibility

and vested interest. Membership is a benefit for former warrant officer and enlisted personnel of the Regular Army and Air Force with the following qualifications: (1) honest and faithful service for twenty years or more as warrant officers or enlisted personnel, or (2) service-connected disabilities rendering them unable to earn a livelihood, or (3) non-service-connected disabilities rendering them unable to earn a livelihood, provided they have had service during a war. These criteria are listed in this order, not as priorities, but because about 85% of the membership is of the first group, and about 15% is of the disabilities groups.

#### PHYSICAL PLANT AND MEMBERSHIP

The Home is situated in northwest Washington, D.C. Facilities include four domiciliary and four hospital buildings, a service area, a heating plant, a laundry, and some minor structures. The domiciliary capacity of the Home is 2,256 beds. Our Hospital has a rated capacity of 410 beds, with an optimum capacity of 348. Throughout the years, the loss of Home land to other activities has reduced the acreage from about 500 to the present 300. The members of the Home are grateful for the support provided by committees of Congress for retention of the Home's land against proposals to further reduce it.

Our male members range in age from 40 to 101, with an average age of 63. Our female members range in age from 45 to 82, with an average age of 67. There are 86 female members at the Home now. Average total membership during Fiscal Year 1975 was 2,593, including 2,475 present. Because Home membership was fast approaching full capacity, the Board of Commissioners-approved Priority System for admission to the Home was implemented in February 1974. There are approximately 175 persons on the Waiting List for membership in the Home.

#### ADMINISTRATION

General supervision of the Home was placed by Congress in a Board of Commissioners, now composed of the Governor of the Home, The Chief of Engineers of the Army, The Comptroller of the Air Force, The Surgeon General of the Army, The Adjutant General of the Army, the Assistant Deputy Chief of Staff/Personnel of the Air Force, The Judge Advocate General of the Air Force, the Sergeant Major of the Army, and the Chief Master Sergeant of the Air Force. Subject to approval by the Secretary of the Army and the Secretary of the Air Force, the Board has authority to establish regulations for the internal direction of the Home. The Governor is responsible to this Board for the management of the Home. The law provides for an annual report of inspection of the Home by the Army Inspector General and Auditor General to be submitted to Congress.

#### FINANCIAL SUPPORT

The Act of 1851 provided that the Home be supported from two principal sources: (1) a monthly contribution while on active duty of not to exceed 25 cents from each enlisted member and warrant officer of the Regular Army and Air Force, and (2) fines and forfeitures imposed upon these personnel by sentence of courts-martial. The Act of 1883 established a Permanent Fund in the U.S. Treasury and provided for the payment of interest of 3% per annum on the fund balance. On December 15, 1973, the Act of 1883 was amended to provide for the payment of an increased rate of interest on our Permanent Fund balance. This increased rate is determined by the Secretary of the Treasury taking into consideration the current average market yield on outstanding marketable obligations of the United States. Under this new law, the Home receives about 7% interest on its fund balance. The balance in this trust fund on June 30, 1975, was \$94.3 million.

This foresight by the Congress has kept the Home from becoming a burden on the taxpayer, and has provided for the maintenance and expansion of a permanent residence for the professional soldier and airman for one hundred and twenty-five years—a residence where members may spend their remaining days independent of public assistance and secure in the knowledge that their personal contributions to the Permanent Fund have helped make the Home available. In brief, the Home is truly unique—a self-supporting establishment in which each member has a vested interest.

## FISCAL PROBLEM

In-depth study by the Board of Commissioners of the Home's operations shows that additional income is necessary in order to avoid an unacceptable depletion of the Home's Permanent Fund; and that without these additional sources of income, continuation of the Home's operation would be in jeopardy. In the two decades from 1950 through 1969, income to the Permanent Fund averaged \$10.5 million per year. In the same period, costs to the Home (operation, maintenance and construction) averaged \$6.7 million. As a result, the Home's Permanent Fund grew from \$35.4 million in 1950 to \$110.0 million in 1969.

Despite this apparently sound financial position, current projections through the year 1990 indicate that the fiscal viability of the Home is in danger. The paramount problem of the Home has been the continuing and accelerated depletion of its Permanent Fund balance, which started in FY 1971, when for the first time in recent history, operating expenses exceeded income (by \$2.1 million). This financial reversal was brought on by a combination of greatly increased costs of goods and services; decreased income resulting from a reduction in the size of the active forces, and the 1963 Comptroller General's ruling which denied accrual of nonjudicial forfeitures to the Home's Permanent Fund; and, an increasing Home membership. If the Home must continue to rely solely on its current income sources, the Permanent Fund balance will be depleted by the fall of 1986.

Income projections indicate that:

(1) Pay withholdings will remain relatively static since the monthly deduction from the pay of enlisted and warrant officer personnel of the active duty Regular Army and Air Force is at the maximum authorized level (24 United States Code 44a) of 25 cents per month. The monthly deduction is the same amount originally authorized in 1851.

(2) Income from courts-martial fines and forfeitures has decreased for the following reasons. First, as troop strength decreased, income from courts-martial decreased. Second, legislative changes to the Uniform Code of Military Justice effective in 1963 increased non-judicial punishment authority of commanders. The effect of these legislative changes has been to decrease the number of summary courts-martial. This has had the effect of reducing funds that otherwise would be available for the support of the Home under section 44, Title 24, United States Code, which authorizes fines and forfeitures adjudged by courts-martial to be used for the support of the Home. The Comptroller General, in 1963, ruled that forfeitures imposed as a result of non-judicial punishment do not inure to the benefit of the Home under section 44, Title 24, United States Code.

(3) Interest income will also decrease. The decrease in interest income from the Permanent Fund is a result of deficit financing, which requires invasion of the corpus of the Fund to meet the Home's operating expenses.

The Board of Commissioners of the Home has tried to solve the financial problems facing the Home and has sought meaningful ways, within existing statutes, to stabilize the Permanent Fund, by deriving new income sources and reducing expenses.

To date, actions taken by the Board of Commissioners and Home officials, since the initiation of their in-depth study nearly four years ago, have resulted in the following fiscal remedies:

(1) The 1883 law has been amended by Public Law 93-185, December 15, 1973, so as to increase the interest paid on the Home's Permanent Fund balance from the previous 3% per year to the average yield on comparable long-term obligations of the United States, which today is approximately 7%, thereby increasing the Home's income by a little under \$4 million per year.

(2) By administrative action of the Secretary of the Army, the monthly contribution from active-duty enlisted and warrant officer members of the Regular Army and Regular Air Force was increased from 10 to 25 cents (the maximum authorized by law, 24 United States Code 44a), effective July 1, 1974. This increased contribution has added approximately \$2.3 million per year to the Home's income.

(3) All plans for the construction of new domiciliary and hospital buildings were deferred, which resulted in an \$8 million saving over the last three years.

(4) Various internal management improvements and cost reduction actions have significantly decreased O&M expenditures. These actions will result in a saving of approximately \$4 million during fiscal years 1974, 1975 and 1976.

In addition, the Board of Commissioners had been pursuing for more than a year two new sources of additional income: First, the possibility of obtaining CHAMPUS reimbursement for medical care provided "career" member patients at the Home Hospital; and, second, the assessment of a User Fee charge against all Home members financially able to pay same from their Government-provided income. Unfortunately, both efforts were disapproved. In the case of CHAMPUS, the Office of the Secretary of Defense ruled on January 22, 1975, that the Home is not eligible for such reimbursement. Concerning the User Fee charge, the Comptroller General ruled on February 25, 1975 (XXXXXXX) that such an assessment could not be levied unless enabling legislation is obtained.

While the specific fiscal remedies taken to date have greatly improved the financial posture of the Home, they fall considerably short of the Board's objective of stabilizing the Home's Permanent Fund at or near its current purchasing value.

In view of the Home's potentially serious financial condition, it is now necessary to seek legislative relief which would allow the Home to help itself, by authorizing:

- (1) the collection of a fee from members of the Home;
- (2) the use of nonjudicial forfeitures for the support of the Home; and,
- (3) an increase in the monthly contributions from active-duty enlisted and warrant officer personnel of the Regular Army and Regular Air Force.

Approval of each of these additional income sources will insure the fiscal viability of the United States Soldiers' and Airmen's Home.

#### SUMMARY

Over the years, the Home has provided a residence, as well as medical, spiritual and moral care for aged and infirm former Regular enlisted and warrant officer personnel of the Army and Air Force. Many of these services are not available to the Home members through other sources or Federal programs. As the costs of other private and public institutions engaged in similar activities continue to soar, the Home, despite the difficulties outlined herein, remains an economical self-supporting method of caring for former members of the Regular Army and Air Force by permitting them to live their declining years in dignity. This legislation, if enacted, will protect the Home's financial integrity and its future operation, thereby insuring the continuity of essential services necessary to support the Home's membership. It is recommended that this legislation be enacted by the Congress.

General UNGER. We appreciate the opportunity to appear before your subcommittee, sir, to explain the need for this legislation, which would provide the three additional sources of income you mentioned in your opening statement.

I have with me this morning Colonel Janes, the Secretary Treasurer of the Soldiers' and Airmen's Home, and Mr. Gritton, the Budget Officer of the Home.

As you know, the home is a self-supporting establishment. Its upkeep, its development, and everything about it has not been a burden on the Government or on the taxpayer. In fact, all of its support comes from the soliders and airmen themselves; and its funds are set apart by law in a Soldiers' and Airmen's Home Permanent Fund which in 1970 reached a peak of \$110.6 million.

Despite this seemingly sound financial position, the home finds itself confronted with the same problems that the rest of society has been facing, namely, the spiraling cost of goods and services. In addition, the home's income has decreased due to the decreased size of the forces and the Comptroller General's ruling of 1963 which removed from the home the nonjudicial forfeitures which this bill is now asking be returned to us.

Senator BYRD. Why was it removed in 1963?

General UNGER. In 1963, Mr. Chairman, at the request of the Armed Forces, the Uniform Code of Military Justice was revised. The aspect of that revision which affected us and which is included in our legislation is the fact that many of the minor offenses were

removed from formal courts-martial action and handled as a non-judicial matter, where a brigadier general or a colonel could require limited forfeitures such as two-thirds of 1 month's pay.

The reason the Armed Forces wanted to do this, and the reason the Congress liked this change was the fact that by handling it this way it removed the stigma of a Federal conviction from a young soldier who happened, to use the vernacular, to goof off for the first time.

Unfortunately, after that change was made in the Uniform Code of Military Justice, the Comptroller General of the United States was asked for an opinion. It was his opinion that fines and forfeitures resulting from nonjudicial actions under Article of War 15 would not inure to the benefit of the home because the law of 1851 very specifically referred to fines and forfeitures resulting from courts-martial actions.

It was the intention of the Congress, in our opinion, that all fines and forfeitures resulting from all disciplinary action should inure to the benefit of the home.

Senator BYRD. If that were done, how much revenue would that bring in?

General UNGER. In fiscal year 1975, those forfeitures for nonjudicial actions, Article of War 15, amounted to \$10.34 million.

May I continue?

Senator BYRD. Yes.

General UNGER. As brought out in my statement, the Board of Commissioners for the past 4 years has been attempting to solve the financial problem that we have faced since 1970. In fact, the fiscal remedies that both the Board of Commissioners and the home officials have put into effect have saved \$24 million in that period of time.

Twelve million of that \$24 million came from increased income, increased income from two sources. One, the 1883 law provided a 3-percent rate of interest on our trust fund which reposes in the Treasury of the United States. That rate was changed—today, it is approximately 7 percent.

The other income increase resulted from the administrative action of the Secretaries of the Army and Air Force, whereby the monthly deduction from active-duty soldiers and airmen was increased from 10 cents to the legal allowable limit of 25 cents.

Senator BYRD. It was raised in what year?

General UNGER. In 1974, effective the first of July, just 2 years ago. We have received an added \$12 million from both of these sources.

The other \$12 million that we saved came from two things. One, we eliminated a construction program which saved \$8 million, for which legislation had already been approved for domiciliary and hospital construction. The other \$4 million came from management actions taken by home officials in saving money.

We saved a little over \$4 million in the last 3 years. In fact, in the year just ended on the 30th of June, we saved a little over \$2 million.

Despite this great saving, we now find that if we assume that our costs are going to continue to increase at an average annual CPI rate of 7 percent, the home's permanent fund will be depleted by 1986. Hence, we are going to need legislation in order to preclude this from happening.

Senator BYRD. How many do you have in the home, now?

General UNGER. We now have under 2,500.

Senator BYRD. Has that been a relatively steady figure?

General UNGER. No, it had been increasing up until about 3 years ago, and has been decreasing in the last 3 years. But, as I have noted in my study of the membership of the home over the last 20 years, not unusually it goes up and down like this. Right now, membership is 2,415, to be exact.

Let me elaborate on the three items in our legislation. I did talk about nonjudicial forfeitures. We feel that it was the intention of the Congress that fines and forfeitures from all disciplinary actions should inure to the benefit of the home, and that Government could not, the Department of Defense could not, put itself in the position of benefiting from the administration of its discipline. We feel that the Congress had no intention of depriving the home of forfeitures resulting from nonjudicial actions. That view was well-expressed on the floor of the House of Representatives when our bill was passed by that chamber, as recorded in the Congressional Record.

As for the user fee, the Board feels that because less than one-half of 1 percent of the people eligible for membership in the home actually use the home, those people who receive the benefits of the home should contribute to the support of the home when the home is in financial trouble, as it is now.

Senator BYRD. Do they contribute anything now?

General UNGER. They contribute nothing.

Senator BYRD. What do you recommend they contribute?

General UNGER. We enthusiastically support H.R. 13549 which was passed by the House, and which requires a fee based on a percentage of a man's income. H.R. 13549 specifies that over a period of 5 years, the percentage should reach a maximum of 25 percent.

The Board set up an initial figure of 12½ percent, which would increase the second year to 15 percent, the third year to 17½ percent, and up to 25 percent the fifth year where it would remain.

Senator BYRD. Of his total income?

General UNGER. No. The second point that the House specified was that these percentages would be applied only against military retired pay and VA disability compensation and pension, or if a man got both the percentage would be applied to both. Conversely it excluded such pay from the Government as railroad retirement, social security and civil service annuity.

Senator BYRD. Let us assume that it is approved, how much money would that bring in?

General UNGER. In the first year, about \$1.23 million. This allows for a certain nonpayment. We are going to have some people who will be unable to pay, and it is going to cost us a little money to administer the program. Taking those things into consideration, the first year will bring us about \$1.23 million.

As for our attitude, we believe that the user fee is reasonable, that it is just, and that we are not setting a precedent. Both in the 19th and in the 20th century, members of the home have made contributions to the home—hence, we are not setting a precedent.

The third item in our legislation has to do with the requested increase in the amount of monthly deduction from the active duty pay of soldiers and airmen.

H.R. 13549 increased the monthly deduction from 25 cents to 50 cents. Also, the sense of the House was that this 50 cents, if the bill is enacted, should be implemented immediately, with which we agree.

Senator BYRD. Go directly to 50 cents?

General UNGER. That is right.

Senator BYRD. From 25 cents. What would that bring in?

General UNGER. That would bring in a total of \$7.26 million per year. We are currently getting \$3.58 million. Hence, the increase would be a little under \$4 million.

I would like to talk about this. We think this is reasonable, fair and just, because when the home was established in 1851, the soldier received a pay of \$7 per month and by law, contributed 25 cents. Here, today, 125 years later, the soldier when he first enters the Armed Forces Examining Station receives \$361 per month, and he is still contributing only a quarter.

No business enterprise, or commercial establishment of any sort could continue to carry on fiscally on that type of income source wherein there is no provision for inflation increases. To give you an example—I am not asking for this—if the soldier of today paid the same ratio that the soldier of 1851 paid, he would be paying \$12.89 a month.

We respectfully request the Senate agree to what the House placed in its H.R. 13549, namely, an increase from 25 cents to 50 cents, effective immediately.

Senator BYRD. What is your total budget, now?

General UNGER. Our total budget has been running about \$15 million. In this coming year it will be a little over \$15 million.

If our bill, the bill before this committee, is passed, and we respectfully request that the committee do that, we will, in our opinion, insure the fiscal viability of the U.S. Soldiers' and Airmen's Home well into the foreseeable future.

Of course, no man can definitely say what the economy will look like in the future; but, if it is what we hope it will be, namely, that the CPI on an average, annual basis will be no more than seven percent, then I say that this bill will insure the fiscal viability of the Soldiers' and Airmen's Home well into the 21st century.

Senator BYRD. Your expenditures are roughly \$15 million, you say?

General UNGER. Yes, sir.

Senator BYRD. And your revenues are what?

General UNGER. In 1976, our income was \$13.32 million, and our expenditures were \$14.71 million.

Senator BYRD. Now, if this legislation is approved, as I understand it, then you would double your revenue?

General UNGER. If this legislation is approved, we will double our revenue; and, this is a chart which projects our cash flow for 15 years.

[The chart follows:]

USSAH CASH FLOW (FISCAL YEAR 1975-90)  
[In millions of dollars]

	Income					Total	O & M <sup>7</sup>	Excess/ deficit	Fund balance	Constant dollars <sup>8</sup>	
	CMF <sup>1</sup>	WHP <sup>1</sup>	Interest <sup>2</sup>	Miscellan- aneous <sup>3</sup>	UF <sup>4</sup>					NJF <sup>6</sup>	7 percent CPI
1975	3.30	3.58	6.26	0.18		13.32	14.71	-1.39	94.32	86.85	88.50
1976	3.45	7.50	1.63	.05		3.43	3.90	-	92.93		
1977	3.40	7.26	6.47	.20		28.90	15.73	13.17	92.46		
1978	3.50	7.26	7.39	.71	1.23	30.57	16.84	13.73	105.63		
1979	3.71	7.26	8.36	.23	1.82	32.34	18.02	14.32	119.36		
1980	3.71	7.26	9.35	.23	2.31	34.17	19.28	14.89	133.68		
1981	3.83	7.26	10.40	.24	2.74	36.11	20.63	15.48	148.57	113.06	161.29
1982	3.94	7.26	11.49	.25	3.20	38.12	22.08	16.04	164.05		
1983	4.18	7.26	12.91	.26	3.56	39.90	23.62	16.28	180.09		
1984	4.31	7.26	13.75	.28	3.70	41.72	25.27	16.45	195.37		
1985	4.44	7.26	14.90	.29	3.70	43.95	27.04	16.50	212.82		
1986	4.57	7.26	16.07	.31	4.08	45.44	28.94	16.50	229.34	116.59	141.38
1987	4.71	7.26	17.51	.32	4.08	47.34	30.96	16.38	245.84		
1988	4.85	7.26	18.38	.34	4.28	49.26	33.13	16.13	262.22		
1989	4.95	7.26	19.38	.35	4.49	51.18	35.45	15.73	278.35		
1990	4.99	7.26	20.59	.37	4.71	53.10	37.93	15.17	294.08	112.09	149.37

<sup>1</sup> Courts-martial fines increase 3 percent per year.  
<sup>2</sup> Withholding from active duty pay increases to 50 cents in fiscal year 1977, and remains at 50 cents thereafter. Assumes an A/AF warrant office and enlisted strength of 1,210,000.  
<sup>3</sup> Interest is computed at 7 percent on previous year's fund balance.  
<sup>4</sup> Miscellaneous income increases 5 percent per year.  
<sup>5</sup> User fee is assessed at a rate of 12.5 percent for members' Federal income in fiscal year 1977, and increases by equal annual increments to a rate of 25 percent in fiscal year 1982, and remains at that rate thereafter. Members' Federal income is estimated to average \$366 per month per member in fiscal year 1977, and includes military retired pay, VA disability compensation or pension (limited), or both; and is assumed to increase 5 percent per year. A home membership of 2,500 and a 6 percent nonpayment rate are assumed. Collection costs, beginning at \$62,000 per year in fiscal year 1977, are assumed to increase at a rate of 7 percent per year.  
<sup>6</sup> Nonjudicial forfeitures increase 3 percent per year.  
<sup>7</sup> Operation and maintenance costs increase 7 percent per year.  
<sup>8</sup> Constant dollars reflect purchasing value of fund balance in terms of fiscal year 1975 dollars, computed on an average annual CPI of both 7 and 5 percent.

The objective of the Board of Commissioners and the officials of the home was to provide sufficient income so that we could preserve the purchasing value of today's fund. In other words, if you look on the right of that chart, Mr. Chairman, you will see two columns designated as 7-percent and 5-percent CPI, constant dollars. If you look down to 1980, 1985, and 1990, and if you accept the assumption that there is going to be an average 7-percent CPI between now and then, you will see that by 1980 we will have a balance which will have a purchasing value of \$113 million in terms of 1976 dollars.

Even though the actual fund balance will be more than \$148 million, its purchasing value in terms of today's dollar will only be \$113 million. Similarly, if you go to 1985, even though our fund would show a balance of \$229 million, its purchasing value in terms of today's dollar would be \$116 million.

We believe that the terms of our bill, the three provisions for increased income, will preserve the purchasing value of our fund, which was our primary objective, and will also allow for necessary rehabilitation and if needed, a modest expansion of our facilities.

If we do not provide for these contingencies, we have no place to go but down. We have been going down for 5 or 6 years. When I first came to the home in November 1971, I was confronted with the fact that in fiscal 1971, for the first time in a generation, the home had been deficit financing to the tune of \$2.1 million.

In the then-current fiscal year, our deficit was expected to reach \$4 million and we were planning a budget for the following year with a \$6 million deficit. In fact, our expenses are escalating to the point where, despite the economies that we have been able to effect, and if you assume a 7-percent average annual CPI, our fund, unless we get help, will be depleted in the year 1986.

This is why we need this legislation. This is why we come today. We would like to have come last year. In fact, we put our bill in last year. Each year that we delay is going to accelerate the depletion of our fund that much more. We are eating into the corpus of the fund that has been built up by the generations of soldiers and airmen who have gone before the people who are in the home now, and it is up to us to insure that this home which has survived for 125 years will survive for another 125 years.

If I may say so, I know the Department of Defense's position on this legislation, and I am totally in disagreement with it. In fact, I think their argumentation is completely untenable. If you look at the Congressional Record, you will see the attitude of the House of Representatives toward the DOD position. I would like to conclude my statement by saying that we enthusiastically endorse H.R. 13549, and respectfully request that the Senate pass that version of the bill before us.

Senator BYRD. Thank you.

I have a few questions. Before getting into that, I wonder if the able Senator from South Carolina would want to say anything?

Senator THURMOND. Thank you very much, Mr. Chairman. I would like, first, to express my appreciation to you for holding this hearing. I know the urgent demand upon the Senator at this time and how busy you are, especially since you are in an election year, too.

I have a few questions here that I might propound. Is it absolutely necessary that this legislation be passed this Congress? What are the consequences if the bill is delayed to the 95th Congress? Some people want to delay it, so I thought we had better bring that out.

General UNGER. Senator Thurmond, I am repeating myself. If we delay it, we first—

Senator THURMOND. Just make your answer brief.

General UNGER. We are just going to go deeper into the corpus of the fund which has been eaten into from \$110 million down to \$90 million up to this point, and we think it is just bad business to do that. And also, second, if we do not pass it at this time, from past experience the House, which has passed this legislation, is likely to shelve it, too. Hence, how long will it take us to get this legislation through again is anyone's guess.

Senator THURMOND. I have a lot of other questions here. I might let you answer them for the record if you want to.

General UNGER. Senator Thurmond—

Senator THURMOND. And I will ask you, one or two off the cuff.

Now, the bill several of us introduced provides for the users' fee to be assessed in increments. I mean, the House bill provides for the users' fee to be assessed in increments over a 60-month period until a maximum of 25 percent of the pension and retirement phase is reached.

General UNGER. Yes, sir.

Senator THURMOND. Some people have asked me this question. If this home takes a person and gives them a home, gives them food, gives them everything, why should not a larger percentage of their retirement be used, if necessary?

Would you care to answer that?

General UNGER. Yes, I do believe—

Senator THURMOND. In fact, they have suggested even possibly 50 percent of the retirement.

General UNGER. Yes; the Department of Defense would like to see that, which I believe, is out of order. The home is a retirement home, Senator Thurmond, and it is something that the soldiers and airmen themselves have contributed to throughout their career, a place where they could come to.

In 1918, it was required that persons living in the domiciliary area pay \$15 a month and people in the hospital pay \$26 a month. In 1941, that was set aside. So, for the past 35 years they have been living there free of charge. This is all right. I think it is great. But what we should get from the people, the members of the home, is enough money that in combination with the nonjudicial forfeitures and a slight increase in the deductions from active duty will permit us to do what we want to do, mainly preserve the purchasing value of our dollar and, I think, it is sufficient to take 25 percent as the maximum.

Senator THURMOND. Now, I believe you brought out only one-half of 1 percent of those in service use the home.

General UNGER. Only one-half of 1 percent of those eligible to come to the home are actually there, sir.

Senator THURMOND. As I understand it, anyone can go to the home if he has served and is retired?

General UNGER. That is correct. If he has 20 years of service he could retire and, is eligible for membership in the home. That is, by far, our largest category, the career soldier and airman.

Senator THURMOND. Well, that means then that probably you have some people there 38 to 45 years old, something like that.

General UNGER. Yes, sir.

Senator THURMOND. Are they able to work and make a living?

General UNGER. Yes, sir. We have—our youngest man is about 41 and he has 20 years of service. It is a retirement home just like the actors guild who provide for their own. But, we find that those youngsters, I call them relative youngsters, don't stay very long. They usually come and take a look and stay for a year or 2 and then leave.

We find them coming back when they are in their late fifties, when they stay here. We don't think there is anything unusual about that, but to answer the question, Do they work? A great many of them do, sir.

Senator THURMOND. Are they paid for the work, or do they contribute that?

General UNGER. Sir, they get paid if they work for the home. We have a work force between 1,000 and 1,100 people at the home, and of that work force 250 are members of the home. Now, if a member of the home works for the home, he receives pay at a rate of 50 percent of the rate paid his civilian counterpart.

Senator THURMOND. I am trying to propound some questions here because these are questions that have come to us that have to be answered by somebody sometime.

General UNGER. Yes, sir.

Senator BYRD. Would the Senator yield at that point for one question?

Senator THURMOND. Yes.

Senator BYRD. You have one employee for every two persons who reside in the home?

General UNGER. That is correct, sir. We have a hospital at our home. Half of the people who work for us are employed by the hospital. We made a survey, as part of this last 4-year effort, of the hospitals in the metropolitan area of Washington, civilian and military hospitals, and found the average ratio of employee-to-patient to run about 2.6.

Some of them have a ratio as high as 4 to 1. At our home, we have a ratio in our hospital of only about 1.17 employees per patient. So, again, I say half of our people, half of our employee work force is for that hospital.

Senator BYRD. Thank you.

Thank you, Senator Thurmond.

Senator THURMOND. Thank you, sir.

Now, I believe H.R. 13549 also provides an increase in the monthly deductions of 50 cents.

General UNGER. Yes, sir.

Senator THURMOND. Is that sufficient?

General UNGER. Yes, sir.

Senator THURMOND. And you can get by with that?

General UNGER. Yes, sir.

Senator THURMOND. Now, I believe, the Defense Department takes the position that these fees should go to the General Treasury and, therefore, the public is paying the \$10 million you want turned over to you.

How do you answer that?

General UNGER. Sir, if I were to express my real feeling on what should be done, it would be to the effect that we should ask for retroactivity—this, because we believe that the funds currently going to the Department of Defense do not belong to DOD, and that they belong to us.

These funds have belonged to us since 1963, for the last 13 years. We believe that the Comptroller General's ruling was based on a narrow interpretation, which apparently gave little, if any, consideration to congressional intent in the 1851 initial legislation. In other words, the Comptroller General ruling ignored the basic principle that the Government should not put itself in the position of even appearing to benefit from the administration of its own discipline; so, therefore, whatever the soldier forfeits should go to the home, and ought not to go back into the Treasury.

It was the sense of the Congress in 1851, and again in 1883, that fines and forfeitures should be used for the benefit of the soldiers and airmen who are retired. In brief, therefore, I believe that the Department of Defense's position is completely untenable.

Senator THURMOND. Now, there has been some point raised on the part of active duty people who object to supporting the home. I believe you said only one-half percent of those who served and retire actually use the home, is that correct?

General UNGER. Sir—

Senator THURMOND. One-half of 1 percent.

General UNGER. Yes, only one-half of 1 percent of those eligible for the home actually come to the home. They could all come, but we could never afford to handle them. Fortunately, they haven't. The active people are not against this. As mentioned earlier, we made a Gallup poll type of survey of the active duty population, both Army and Air Force.

We had a sampling of around 28,000. Of those who knew about the home, 71 percent of the Air Force and 67 percent of the Army indicated that they would be willing to pay a fee.

The Sergeant Major of the Army, a year and a half ago, in sampling the opinion of the senior NCO's of the Army gave the board of commissioners the opinion that before the active duty population is asked to increase its monthly deduction, it is imperative that those who use the home, men and ladies, should be asked to contribute to its upkeep.

In other words, the active duty element deduction until those who are receiving all of the benefits of the home start contributing to its support. Conversely, if the members of the home made a contribution, then the active duty population, according to the Sergeant Major of the Army, would not object to an increase in the monthly deduction.

Senator THURMOND. Ninety-nine and one-half percent of those on active duty and retired do not use the home?

General UNGER. That is correct.

Senator THURMOND. About one-half of 1 percent?

General UNGER. You are correct.

Senator THURMOND. This bill would increase on every person on active duty as long as he is on active duty 50 cents a month, I believe.

General UNGER. It would increase from 25 to 50 cents, yes, sir, per month.

Senator THURMOND. Whether they ever use the home or not, they have to pay that?

General UNGER. That is correct.

Senator THURMOND. And have to pay it whether they want to or not?

General UNGER. Yes, sir.

Senator THURMOND. It is not voluntary?

General UNGER. That is right, sir.

Senator THURMOND. Now, the bill that several of us introduced would authorize the Board of Commissioners to collect a fee from the members of the home based on financial needs of the home and ability to pay it.

General UNGER. Yes, sir.

Senator THURMOND. That is somewhat similar to the House bill in a way.

Appropriates nonjudicial forfeiture pay for the support of the home?

General UNGER. Yes, sir.

Senator THURMOND. And increases the monthly deduction pay, too.

General UNGER. That is correct.

Senator THURMOND. In fact, increases that from 25 cents to a dollar. Now, what would be the reaction of the active people, in your judgment, by increasing this fee when only one-half of 1 percent would ever use the home?

General UNGER. Again, going back to that Gallup poll type of survey, and here I am repeating myself, we had a sampling of about 28,000. The majority of those who knew about the home stated that they would not object to an increase—at that time, we were talking about an increase to \$1. Again, the Sergeant Major of the Army included the proviso that the people who use the home show that they are making their contribution.

Although statistics show that only one-half of 1 percent of those eligible ever use the home, the monthly deduction represents a very nominal premium for an excellent insurance policy. No soldier ever expects to get old; no soldier is ever going to stay in the Army for 20 years; no soldier will ever use the home—if you ask the newly enlisted soldier.

If you ask him in his second enlistment, he probably will say, "I don't think so." When he starts to get a little equity and approaches 10 years of service, he starts to think about it. So, for every man, even if he doesn't make the Armed Forces a career, who knows when he is going to be disabled, either in service or out of service. If he is disabled in service, regardless of how little service he has, he is eligible for home membership. We currently have many members at the home who have had only a year of service.

In fact, we have some members who have been in our hospital for 15 years, and today it costs us \$18,000 a year to maintain an individual in the hospital. Whether the monthly deduction was 10 cents, 25 cents, or 50 cents, this is quite a return on premium paid. If they are disabled they are eligible for membership, regardless of length of service.

Senator THURMOND. I would like to ask you this. From your experience in running the home, do you feel it should be confined to people who are disabled or the person of good bodily health and able to work should be denied the benefits or not?

General UNGER. No, sir; I don't believe that. As part of the budget study, we delved into the idea of eligibility for membership. We even considered the membership criteria of our sister establishments in the Western World, such as Chelsea Hospital in London. Incidentally, I maintain communication with my counterpart there, the governor of Chelsea.

Also, through him we are familiar with Les Invalides, the French soldiers' home in Paris. We believe that the membership eligibility criteria established by the Congress in 1851 are sound and admirably serve the basic purpose of providing a home for old, retired, and disabled soldiers and airmen.

The career soldiers and airmen move around the world, not at their own whims but at the direction of the Army and the Air Force. They are never able to put any roots down like their civilian counterparts are. They are never able to buy, say, a little house and through the course of 20 years pay for a great part of it. A great many of them come to the end of those 20 years without being able to amass what their civilian counterparts have amassed. They have nothing, and if you combine that with the fact that many of them have been divorced, have family problems, have nowhere to turn, this home is a wonderful place where they can go. Not only does it provide for their physical needs, but it also provides a familiar environment among people with the same backgrounds, and in an atmosphere of dignity.

We think it should remain the way it is now, primarily serving the purpose of a retirement home. Of today's membership in the home, 85 percent are career soldiers and airmen, while the other 15 percent is made up of the two disability groups—the service-connected disability and the non-service-connected disability, each of which represents about 7½ percent of the membership.

We think the current membership criteria are sound.

Senator THURMOND. For the record, I want to bring out this point. A spouse is not allowed to go with the husband or the wife to the home, are they?

General UNGER. That is correct.

Senator THURMOND. About what percent there are women?

General UNGER. Let me qualify that. Although we have no facilities for couples, we do have couples in our membership; however, the husband and wife live in the separate men's and ladies' domiciliaries. Incidentally, our ladies' domiciliary is called Lady Sheridan.

Although we have at least two or three married couples in our membership, they do not occupy married quarters.

Senator THURMOND. In other words, to be eligible to be admitted there they must have served themselves.

General UNGER. Each one of them.

Senator THURMOND. Man or woman must have served themselves and be retired.

General UNGER. That is correct.

Senator THURMOND. If they have a husband or wife they will have to stay out in town or somewhere else. What did you say about the place where you have some women?

General UNGER. We have 87 ladies in our membership, all of whom live in a domiciliary building which is named Lady Sheridan.

Senator THURMOND. Are they wives, or are they regular members?

General UNGER. Regular members.

Senator THURMOND. Entitled to be there?

General UNGER. Yes, just as much as the men are entitled to be there.

Senator THURMOND. If they had husbands, they couldn't stay?

General UNGER. That is correct.

Senator THURMOND. I mean the wives cannot stay or husbands cannot stay if they do not have service and are retired?

General UNGER. That is correct.

Senator THURMOND. I just want to bring that out because that is a question that has arisen because of spouses. I think I have asked some questions that have been propounded to the staff and to Members of the Senate that need to be answered.

The full committee will have to act on the bill. I am not a member of the subcommittee. I think it important that action be taken and taken as soon as possible on this bill. I thank you gentlemen for appearing here.

General UNGER. Thank you, Senator Thurmond.

Senator BYRD. Do you favor the bill as written or do you feel that a part of it should be approved and maybe not all of it approved?

Senator THURMOND. Mr. Chairman, we have a bill, H.R. 13549, which the House has already passed. I think in view of the lateness of the time that it would be better to consider the House bill so we can try to get this legislation through. The committee will have to determine just what it puts in the bill and that is a matter that your subcommittee will have to make its determination upon.

Senator BYRD. Your suggestion is that the committee work on the House bill rather than the Senate bill.

Senator THURMOND. Yes; since it has already passed the House and, I think, 50 cents is enough tax, if you want to call it that, or deduction, to place upon the members of the active services. In fact, there are some complaints now on the part of some.

At the same time, my idea would be to limit it to 50 cents as they have testified.

Senator BYRD. Thank you, Senator Thurmond.

I have a few questions, General.

As was stated in the 1975 Annual Report of the Board of Commissioners of the Home, "The concept that the home should be a self-supporting establishment which is not dependent on the Treasury or the taxpayers, has not changed in nearly one and one-quarter century." This is certainly a laudable concept—

General UNGER. That is correct.

Senator BYRD [continuing]. Which has in large measure contributed to the success of the home over the years. Nonjudicial fines and forfeitures are assets of the U.S. Government.

Would not the use of these assets—assets which directly reduce the tax burden on the American people, violate the concept of self-support, or would it violate the concept of self-support for the home?

General UNGER. In my opinion, it does not violate the concept that we are self-supporting. The Congress, certainly in 1851, didn't think so.

Senator BYRD. It was not until 1963 that that was changed?

General UNGER. That is correct, but the principle remains the same; namely, that the Government should not benefit from the administration of its discipline.

Senator BYRD. Why is it necessary for the home to operate its own hospital? I will stop with that question.

General UNGER. The hospital is an integral part of the home and its activities. As such, it makes an indispensable and immeasurable contribution to the development of a complete "home" atmosphere—an atmosphere which connotes continuous care from retirement to grave.

Senator BYRD. What is the median age of most of the people?

General UNGER. The median age of our men is 63 and the median age of our ladies is 66. As you can see, the hospital makes an essential contribution to the ability of the home to serve the needs of the member from the time he or she is admitted to membership until he or she is laid to rest.

Senator BYRD. Walter Reed is not too far away.

General UNGER. That is correct. There are several angles on that. We do send to Walter Reed many of our seriously ill members.

Senator BYRD. What would be the financial savings of the home if all hospital services were provided by Walter Reed?

General UNGER. Walter Reed cannot feasibly handle all of the services provided by our hospital. Even if Walter Reed accepted all of our acutely ill patients, we would still need to operate a dispensary and an extended care facility, support for which would require a large percentage of our current professional, technical and administrative hospital staff.

Although on the surface it might appear that there would be great savings, as a matter of practicality, the savings would be only in the neighborhood of 10 to 15 percent.

Senator BYRD. Only 10 percent or 15 percent savings and yet—

General UNGER. Half of our expenses are in the hospital. Even if we reduced our hospital to a general dispensary and extended care facility, as a quick estimate this would produce a home saving of probably 10 to 15 percent. As far as hospital costs are concerned, it would probably reduce expenses no more than 25 percent, because we would still need most of our doctors, nurses, technicians and hospital administrative staff.

Senator BYRD. The purpose of the home is to provide a comfortable home for old, invalid, and disabled enlisted men or women?

General UNGER. That is correct.

Senator BYRD. The average age for retirement, as I understand it, for enlisted military personnel is approximately 43 years and all such retirees after 20 years service—

General UNGER. Yes, sir.

Senator BYRD [continuing]. Are eligible for the home?

General UNGER. That is correct.

Senator BYRD. Thus, one does not need to be old to be a resident?

General UNGER. That is correct.

Senator BYRD. What would be the financial impact on the home if, in the future, old age were made a specific criterion for admissibility?

General UNGER. It would certainly change the character of the home as it has been operated through the century and a quarter of its existence. We don't think that such a change would be in keeping with what General Scott had in mind when the Congress enacted the legislation for the establishment and operation of the home.

We do not believe that the soldiers and airmen should be deprived of a retirement home. Many guilds and trades have their own retirement homes, and we believe that the serviceman or servicewoman needs a retirement home much more than their civilian counterparts do. We believe that such a change would destroy the home as we have known it for 125 years.

Senator BYRD. According to the financial projections which you have supplied the committee staff, if the legislation you endorse is approved the home would realize an operating cash surplus slightly under \$10 million. At the same time, it is estimated that the revenue from non-judicial forfeitures would be slightly over \$10 million or approximately the same amount as expected operating surplus.

Why should that be done under those conditions?

General UNGER. I mentioned when you asked, sir, that in fiscal year 1975 the amount of the nonjudicial forfeitures was \$10.34 million. I mentioned that we had been deficit spending for the last 5 years, starting out at \$2.1 million, and going up to as much as \$6 million. Fortunately, we have been able to cut back expenses through management and saving devices, thereby preventing our fund from continuing in its previous course of accelerated depletion.

Senator BYRD. Are you—

General UNGER. I believe that we need the amount of additional income that I have indicated, and we are assuming that \$10 million in nonjudicial forfeitures will continue annually for the next 10 or 15 years, for the foreseeable future. In addressing the question of how much do we need, the Board responded by establishing the basic objective of preserving the purchasing value of our current fund.

This is why, in the chart that I gave you, sir, that we showed the balance in terms of constant dollar. Obviously, if constant dollar considerations are ignored, the fund balance appears to increase beyond need.

Senator BYRD. Are you in balance, now?

General UNGER. No, sir. At the end of fiscal 1976, we were still deficit spending a little less than \$1 million. If we had not put into effect our program of reduced O & M expenditures, our deficit would have been approximately \$3 million.

Senator BYRD. Other than inflation, what specifically are the major reasons for the financial difficulties of the home?

General UNGER. Inflation is the big one, sir, and it bothers us.

Senator BYRD. Other than inflation?

General UNGER. Other than inflation, there are two things. One, reduction in size of the Active Forces following the Korean and the Vietnam wars. Second, the big depletion in the amount of income we receive due to the denial of nonjudicial forfeitures, which situation has been going on for 13 years.

Senator BYRD. You mean from the first part of your answer you have too large a facility for the people you need to accommodate?

General UNGER. No, sir, I didn't mean to give that impression.

Senator BYRD. You say the forces have been reduced.

General UNGER. I am saying that the active duty forces were reduced.

Senator BYRD. Have been reduced. How does that affect your—

General UNGER. It affects us in that we receive income from the active duty forces of 25 cents per month, per soldier and airman.

Senator BYRD. I understand now; yes.

General UNGER. The second thing is, I say, for 13 years the Department of Defense has been using our money.

Senator BYRD. Are there any appropriated funds, tax funds involved in financing the home?

General UNGER. We don't think so, sir. In fact, I categorically say no. People who are looking for tax dollar usage in home support ask the questions whether soldiers' pay and the fines and forfeitures levied thereon are not Federal money? We say no; that is soldier money and airmen money, which was in their pockets until they were brought before an article 15 board or a court-martial, the results of which took the money out of their pockets. Conversely, these fines and forfeitures were not taken out of DOD's pocket. The law wisely stipulated that this soldier and airmen money would be used in support of the home.

Senator BYRD. You don't regard that as tax money?

General UNGER. No.

Senator BYRD. It is money that belongs to the soldier?

General UNGER. Yes; to the individual.

Senator BYRD. And taken out of his pocket as a penalty for something he did.

General UNGER. Yes; and I say that the Department of Defense has taken our money and has been using it for 13 years—to the continuation of this practice we say no. We say that the Soldiers' and Airmen's Home is a very unique facility, and I use Webster's term, "unique" in its finest sense. In today's world, this is one place, this is one establishment that doesn't come before the Congress with its hand out.

The operation of our home has no impact on the taxpayer or on the Treasury of the United States.

Senator BYRD. What has been the maximum number of individuals enrolled?

General UNGER. The maximum enrollment, as I recall, was about 3 years ago, when it reached 2,765.

Senator BYRD. So it varies from 2,450 to 2,700 or 2,800.

General UNGER. It has been as high as 2,765.

Senator BYRD. There may be several other questions, a few other questions we may need you to answer for the record.

Our next witness is Admiral Finneran.

**STATEMENT OF VICE ADM. J. G. FINNERAN, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MILITARY PERSONNEL POLICY**

Admiral FINNERAN. Good morning, Mr. Chairman.

Senator BYRD. Good morning, sir. Your entire statement will be printed in full in the record and, I suggest, you summarize it.

[The prepared statement follows:]

PREPARED STATEMENT OF VICE ADM. JOHN G. FINNERAN, U.S.N., DEPUTY ASSISTANT SECRETARY OF DEFENSE, MILITARY PERSONNEL POLICY, OFFICE OF ASSISTANT SECRETARY OF DEFENSE (M. & R.A.)

Mr. Chairman and Members of the Committee: I am Vice Admiral John G. Finneran, Deputy Assistant Secretary of Defense for Military Personnel Policy. I am pleased to have this opportunity to appear before you today for the purpose

of presenting the views of the Department of Defense on H.R. 13549, a bill "To provide for additional income for the United States Soldiers' and Airmen's Home by requiring the Board of Commissioners of the Home to collect a fee from the members of the Home; by appropriating nonjudicial forfeitures for support of the Home; and by increasing the deductions from pay of enlisted men and warrant officers."

The Department of Defense strongly supports the concept of the Soldiers' and Airmen's Home and believes it essential that its growing financial plight be remedied. For this reason, the Department is very appreciative for the interest and concern of the Congress in providing financial relief to the Home.

Section 1 of the bill would authorize the Board of Commissioners of the Home to collect a user fee from members of the Home not to exceed 25 percent of each member's retired pay, VA pension or disability compensation or the combination of retired pay and disability compensation for those receiving both. A sixty-month transition period would be authorized in which the Board could incrementally phase-in the amount to be collected at something less than 25 percent. Also, provisions are made whereby a member of the Home who has assigned more than 75 percent of his disability compensation or pension payable by the VA to a child, wife, or parent could continue such assignment with the remainder of his or her disability compensation or pension being payable to the Home, not to exceed the reduced percentage being applied during the sixty-month phase-in period.

In the Defense report on H.R. 9767, the predecessor bill to H.R. 13549, the concept of charging a user fee to members of the Home was supported, but it was suggested that if a percentage of income from Federal sources were to be specified, that the Board be allowed to establish such rates, but not to exceed 50 percent. It was believed that such provision would allow the Board to establish a realistic user fee which would, should financial needs dictate, be increased up to 50 percent of pension type or disability income received from Federal sources. The House Armed Services Committee, after considerable deliberation on this matter, concluded that the upper limit should not exceed 25 percent and that this should incrementally be phased-in over a sixty-month period. The Department does not believe these provisions to be inconsistent with its view that members of the Home should be charged a reasonable user fee that is within their ability to pay.

Section 2 of the bill would authorize the appropriation of nonjudicial forfeitures for support of the Home. This provision would result in additional revenue for the Home of about \$10 million per year. The appropriation of these forfeitures for use of the Home would add to Defense expenditures in an indirect manner, in amounts not necessarily related to the needs of the Home, and for a purpose which has not been established as a financial responsibility of the Department of Defense.

In view of the effort to reduce the Defense budget, and the growth of manpower costs in particular, the Department is reluctant to assume any additional financial responsibility, especially in instances where the expenditures involved do not contribute directly to current national defense. Admittedly, there is a precedent of many years standing for the appropriation of fines adjudged by sentence of courts martial for use of the Home. Nevertheless, it is believed that every effort should be made to meet the financial needs of the Home without the appropriation of nonjudicial forfeitures for this purpose. For these reasons, the Department cannot support Section 2 of the bill which authorizes the use of nonjudicial forfeitures by the Home.

Section 3 of the bill would authorize increasing from \$.25 to \$.50 the involuntary monthly deduction from the pay of Regular enlisted members and warrant officers of the Army and Air Force for support of the Home. In our report on H.R. 9767, which would have increased the deduction authority to \$1.00 per month, the Department suggested retaining the deduction at \$.25 per month for junior enlisted members and raising the authority to \$1.00 per month for members in pay grades E-4, with four or more years service, and above. This we believed fair in that the great majority of junior enlisted members serve for only one enlistment and only under unusual circumstances could be eligible for admittance into the Home at some future date.

In its deliberations, the House Armed Services Committee chose to reduce the proposed deduction authority from \$1.00 to \$.50 per month and apply this equally to all Regular enlisted members and warrant officers of the Army and Air Force. On balance, the Department does not view this provision, as contained in H.R. 13549, to be in conflict with its desire to reach a compromise wherein junior enlisted personnel are not charged an excessive amount for support of the Home. The proposed increase in deductions from \$.25 to \$.50 per month appears reasona-

ble, especially in recognition of the substantial increases in military pay that have occurred since the \$.25 deduction authority was initially established in 1851, changed to \$.125 in 1859, and reverted back to \$.25 in 1908.

It is noted that under the current \$.25 deduction authority, annual income to the Home from this source is approximately \$3.5 million. Raising the deduction to \$.50 per month would double this amount, or approximately \$7 million.

If the Congress does not act on H.R. 13549 during this session, the Department would likely ask the 95th Congress to support legislation more in consonance with our views expressed on H.R. 9767, namely that the Board of Commissioners be given the authority to impose a user fee upon members of the Home not to exceed 50 percent of their pension type or disability income received from Federal sources, and that involuntary deductions from the pay of junior enlisted members be held at \$.25 per month, with authority to raise that amount to \$1.00 per month for members in pay grades E-4 (over four years service) and above. If the present Congress acts favorably on this bill, then at some future date it might be necessary, and we would want to retain this option, to readdress the issues as to whether the user fee is sufficient and whether the involuntary contributions on balance are fair and equitable to our junior enlisted personnel in relation to their probable access to entry into the Home at some future date.

Gentlemen, again I appreciate the opportunity to present the views of the Department on this bill. This concludes my statement Mr. Chairman.

Admiral FINNERAN. Very well, sir. I am accompanied by Colonel Hampton of the Department of the Army staff.

I believe, Mr. Chairman, I can sum up the differences, if you will, between the Defense position as represented in my statement and the statement that General Unger gave you just a few moments ago, fairly quickly.

As you know, there are three issues in the appropriated bill which was passed by the House. One deals with the concept of increasing the withholding from pay for active duty soldiers and airmen from 25 cents to 50 cents. We have no severe difference philosophically with respect to that concept.

The Defense Department suggested, however, in its original position on this bill, and intends to continue to stand behind that suggestion, that it would be more ideal, if you will, if there is such a thing, to proportionately increase the amount of withholding for those soldiers and airmen who have a higher propensity to use the home or potential to use the home. Therefore, we suggest that the rate of a dollar should be applied to career soldiers and airmen and that a 25-cent contribution, which is current law for all of them, should remain in effect for first-term soldiers and airmen.

The second issue of user fee, I don't believe we have any significant difference in concept. Both Defense and the bills that I have seen, and the House bill, support the concept of a user fee. Here again, there is a difference in how to calculate it and how much it should be. Defense would suggest that there ought to be a greater degree of flexibility than is included in the House bill, to the extent that the authority should be provided legislatively to provide a ceiling of up to 50 percent of the pensions that comes of the members using the home to be charged to them for the services made available to them.

Senator BYRD. Instead of 25 percent?

Admiral FINNERAN. Instead of 25 percent. We do not suggest they go immediately to that level, nor do we suggest that they necessarily actually use the full authority of 50 percent on a regular basis. We suggest, however, that the flexibility from the standpoint of being able to manage and respond to the changes in maintaining the fiscal viability of the home, that that authority should be there to be used

as regulated by the Board of Commissioners and the governor of the home.

With respect to the third issue, which is the issue of nonjudicial punishment forfeitures and fines, the Department of Defense has the most difficulty. We regard this as taxpayers' money, if you will. It currently goes back to the Treasury, in effect, when it is not paid to the man as a result of a fine or a forfeiture.

General Unger pointed out that the authority that we are talking about is under article 15 of the Uniform Code of Military Justice which provides commanders the maximum authority to require a man to forfeit as much as 1 month's pay, the equivalent of 1 month's pay.

The law actually says one-half of 1 month for a maximum of 2 months. And our experience with this particular feature of law has been that there are on the order of 180 to 200,000 nonjudicial punishment actions in the Army and Air Force combined at the present time.

These are the approximate rates for fiscal year 1976. Only a portion of those are involved since commanders do not exercise the right to assign fines and forfeitures in every case, but our experience has been that there is approximately \$10 million per year involved in nonjudicial fines and forfeitures at the present time.

In this particular issue we feel that it is sounder business, if you will, not to have this indirect appropriated fund support accrue to the home's permanent fund and rather to continue the practice which has been in place since the Comptroller General's ruling of 1963 that those funds be returned to the Treasury.

I believe that sums up the three issues, Mr. Chairman, and I am available to answer any questions you may have.

Senator BYRD. The funds actually come out of the pockets of the members themselves, don't they?

Admiral FINNERAN. Yes, sir.

Senator BYRD. It is money they would have had to spend in any way they might have seen fit had they not gotten themselves involved in some problem?

Admiral FINNERAN. That is correct, sir, part of their normal pay withheld specifically for punishment that they received.

Senator BYRD. As you know, the home was established and operating at a time when the pay and benefits of enlisted military personnel were significantly below those available in employment opportunities in the civilian sector. Recently, however, it has become national policy under the voluntary force concept to provide pay and benefits to military personnel comparable to those available in employment opportunities available in the private sector.

In your judgment, what is the role of the home in the newer environment?

Admiral FINNERAN. Mr. Chairman, I think the role of the home, if anything, is probably reinforced in this environment. I personally believe that the concept of the home is sound. I believe that the concept that it is supported predominately by a system of fees and charges which makes every soldier and airman feel that he has a role or a part in the care of old soldiers is a sound principle of operation.

Senator BYRD. You don't think it duplicates, unnecessarily adds to the retirement benefits presently available to military personnel?

Admiral FINNERAN. It complicates it, sir, in some ways, but not unduly so. I think the record that was suggested earlier that indicates that less than one-half of 1 percent of the eligible population actually make use of the home speaks to that.

Obviously, the other 99½ percent are finding other ways to live out their useful years upon completion of a dedicated life of military service.

Senator BYRD. You have some reservations about the legislation?

Admiral FINNERAN. In a technical sense, yes, sir.

Senator BYRD. But you favor the home?

Admiral FINNERAN. Yes, sir.

Senator BYRD. And you feel it should be continued?

Admiral FINNERAN. Yes, sir.

Senator BYRD. Your reservations, you say, are in a technical sense. It is a money sense, really.

Admiral FINNERAN. That is correct, sir.

Senator BYRD. Now, if the Congress doesn't approve this legislation and there are inadequate funds to operate the home, then what would be the DOD suggestion as to how the home should be operated?

Admiral FINNERAN. Well, in the event that the Congress did not approve the legislation this session I would anticipate that Defense will, in the next session of the Congress, the 95th Congress, be sponsoring legislation to reinforce the financial solvency of the home on the same principle that it has been supported in the past which is largely self-supporting.

In the event that that were unacceptable to the Congress and it were desired to continue the operation of the home, obviously the only resource left to Defense would be some form of direct appropriated fund support.

Senator BYRD. That is what I am getting at. In other words, it is more or less the program that has been presented by Senator Thurmond and others on the one hand, or direct appropriation on the other hand?

Admiral FINNERAN. That is correct, sir.

Senator BYRD. Thank you, sir. I may have a few more questions to be answered for the record.

Admiral FINNERAN. Thank you, Mr. Chairman.

Senator THURMOND. Could I ask a question?

Senator BYRD. Yes, sir.

Senator THURMOND. Admiral, just for the record, what does the Department of Defense do with the \$10 million nonjudicial forfeitures and fines? Does the Department keep that or do they turn it over to the General Treasury?

Admiral FINNERAN. That money, Senator, is part of the military personnel appropriation account. If, in fact, at the end of a fiscal year there were moneys left over in that account they would be returned to the General Treasury in the balancing operation that goes on in the budget accounting process.

I am sure you appreciate, sir, that the total defense military payroll is approximately \$23 billion today. We are talking about a \$10 million portion of that. The combined actions that take place in that account in terms of managing the total military defense population from day to day and payday to payday, month to month, that the disbursements out of the account to the members' pay accounts are managed

through the finance centers is a very large bookkeeping enterprise, and at any given point in time an individual fine is recorded against a man's pay account it is then recorded in the finance center system and taken up actually as a credit in the system.

At the end of the year that all balances out to a net total that has been disbursed, and any remainder in the appropriations authorized by the Congress returns to the General Treasury.

Senator THURMOND. In other words, Defense Department then retains it in its personnel fund?

Admiral FINNERAN. Yes, sir.

Senator THURMOND. And, of course, if they had anything left in the fund it would go back to the General Treasury.

Admiral FINNERAN. Yes, sir.

Senator THURMOND. Is that correct?

Admiral FINNERAN. Yes, sir.

Senator THURMOND. Now, the other question I wanted to ask you is what does DOD see as active duty reactions to the increase to the involuntary monthly contribution?

Admiral FINNERAN. On the basis of the same surveys which General Unger spoke to, my expectation would be that the reaction first would be mixed, but the predominant reaction would be favorable toward increasing the amount of the withheld pay by a nominal amount, whether we talk about the 50-cent level or we talk about a higher level of \$1.

Beyond \$1 has not been addressed in any surveys, to the best of my knowledge, Senator.

Senator THURMOND. So you think the bill that some of us introduced to increase the fee some for the operation of the home there would not be vitriolic objection on the part of the active-duty personnel.

Admiral FINNERAN. I do not believe so.

Senator THURMOND. That is all I have. Thank you very much.

Senator BYRD. Just one further question. It is not totally clear to me whether you favor or oppose this legislation.

Admiral FINNERAN. We favor the legislation, Mr. Chairman, although we have some differences in detail as to the way it is structured, and with the exception of the feature concerning the use of the non-judicial punishment forfeitures, we really don't have a strong view against the proposal sponsored by the House.

We continue to believe, however, that the consignment of non-judicial fines and forfeitures would be an incorrect action.

Senator BYRD. Well, Senator Thurmond and I, and others, 98 others, cannot vote maybe on this question, we have to vote yes or no. If you were in our position, would you recommend we vote yes or no on it?

Admiral FINNERAN. My personal recommendation would be yes, Senator.

Senator BYRD. Thank you.

Anything else, Senator Thurmond?

Senator THURMOND. I think that is all. Thank you very much and thank you, gentlemen, for appearing.

Admiral FINNERAN. Senator, thank you, sir.

Senator BYRD. The committee will stand in adjournment.

[Whereupon, at 11:30 a.m., the hearing was adjourned, subject to the call of the Chair.]

(Subsequent to the hearing Senator Byrd submitted questions to Admiral Finneran, the questions with answers supplied follow:)

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR HARRY F. BYRD, JR.; ANSWERS SUPPLIED BY VICE ADMIRAL J. G. FINNERAN, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MILITARY PERSONNEL POLICY

*Question.* Do you feel that the House-passed version of 25 percent user fee is insufficient? Do you feel that all income available to an individual member rather than military retirement and/or VA pension should be considered?

*Answer.* As I indicated earlier, the Department favored giving the Board of Commissioners the flexibility to impose up to a 50 percent user fee should this eventually become necessary. This is not to say, however, that the 25 percent fee as supported by the House will be insufficient in the near term. At some later date, however, it might be necessary to come back to the Congress with a request to raise the percent of the offset, should the finances of the home dictate.

In my judgement, inclusion of all income in the base against which an offset is applied is a bit severe and would increase the disparity between members of the home as to the amounts by which they contribute to their upkeep. This could act to set up a social ordering amongst members of the home which might disadvantage those able to contribute the least. For these reasons, this would probably not be in the best interests of all members of the home.

*Question.* Would giving the home nonjudicial fines force DOD to request a \$10 million increase in its annual budget?

*Answer.* Should this be done, it would probably not necessitate a request for a \$10 million increase in annual budget authority. As a rule, if there are unobligated balances in the military personnel appropriations accounts, they revert to the Treasury. Nonjudicial forfeitures would be included in such unobligated balances.

*Question.* Would the Department of Defense prefer to raise the user fee to 50 percent and increase the monthly deduction to \$1.00 rather than give the home nonjudicial fines and forfeitures? If yes, and the income from these two sources was insufficient, what alternatives does DOD propose?

*Answer.* If these were the only alternatives available, the Department would likely reconsider its position with regard to the use of nonjudicial forfeitures by the home. Raising the involuntary deductions for all enlisted personnel of the Army and Air Force to \$1.00 per month is objectionable in view of its application to large numbers who will serve only one term, thereby greatly reducing the probability that they could ever gain entrance into the home at some future date. In any case, if revenues provided the home are insufficient for its continued operation into the future, then it will be necessary, in my opinion, for the Department to consider direct support through appropriated funds.

*Question.* Under 24 USC 41 the Secretary of the Army must approve "regulations for the general and internal direction" of the home and "may do any other acts necessary for the government and interests of the same". Has the Office of the Secretary of the Army or the Office of the Secretary of Defense undertaken any comprehensive analysis of the recent financial difficulties of the Soldiers' Home and what steps has the Secretary of the Army or the Defense Department taken to resolve these difficulties?

*Answer.* The Army and Air Force, as well as the Board of Commissioners, have undertaken numerous initiatives over the past 10 years with respect to the financial outlook for the home. In 1968 the Air Force Comptroller's office conducted a study to forecast the future financial status of the home and a joint Army/Air Force study group analyzed and forecast the financial status for the period FY 1969 through FY 1978. In 1972, a joint Army/Air Force committee updated the 1968 financial forecast and provided revised cash flow projections through FY 1978. In 1973, a joint committee made a manpower utilization survey of the home, which resulted in a new manpower ceiling of 1,203 personnel, down from 1,274. This authorization has been subsequently reduced to 1,096 during FY 1977.

Also in 1973, a joint study group evaluated the operations of the home, reviewed the management of the permanent fund, analyzed income sources, and surveyed attitudes of enlisted personnel on active duty toward the home. This study resulted in numerous recommendations being made to the Board, many of which were adopted. In 1974, a joint study group defined what it considered as an equitable method for assessing a user fee upon members of the home. This was approved by the Board but was not implemented in view of the opinion of the Comptroller

General that enabling legislation was required. Also in 1974, involuntary contributions were increased from \$.10 to \$.25 per month.

The Board has also undertaken numerous initiatives with respect to the growing financial plight of the home. Capital outlays for new construction have been deferred for a savings of \$8 million over the past three years. Internal management improvements, including reductions in employees, have saved an additional \$3.6 million during the same period. An initiative which resulted in raising the statutory limit on interest yielded by the permanent fund of the home increases annual income by \$3 to \$4 million annually.

These initiatives are not all inclusive, but do fully support the observation that the Secretaries concerned have not stood idly by while the financial condition of the home continued to deteriorate. In my judgement, the initiatives taken have been reasonable, sound and timely.

*Question.* Would the Defense Department object to an amendment to S. 2441 which would require the Secretary of Defense before FY 1978 to complete a comprehensive study of the overall financial conditions and mission of the home with recommendations as to how the home's difficulties could be resolved without any direct or indirect cost to the taxpayers?

*Answer.* The Office of the Secretary of Defense is not staffed in such manner as to have the ready capability to undertake such study. With considerable augmentation from the Army and Air Staffs, however, it is not inconceivable that this could be done. Such augmentation would likely be inconsistent with what I perceive as the intent, which would be to have a fresh look at the operation and mission of the home taken by an agency somewhat removed from its ongoing operations. Perhaps the General Accounting Office would be an appropriate agency for conducting this study.

*Question.* What percentage of income does a person in the private sector pay for room, board and other living expenses similar to what a member at the home receives?

*Answer.* The Bureau of Labor Statistics estimates that a retired couple with a disposable income of \$4,501 in 1975 would spend 80 percent of that income on food, housing, personal care, and medical care. The Bureau does not publish similar statistics for retired single individuals.

(Subsequent to the hearing Senator Byrd submitted questions to General Unger, the questions with answers supplied follow:)

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR HARRY F. BYRD, JR.; ANSWERS SUPPLIED BY LT. GEN. F. T. UNGER, GOVERNOR, U.S. SOLDIERS' AND AIRMEN'S HOME

*Question.* What specific steps have been taken as far as internal management goes to cut down O&M expenses? What changes are proposed for the future if the bill is passed?

*Answer.* During the past three fiscal years, the Home has undergone an increasingly stringent program of reductions in its operating expenses, reaching a peak in FY 76 when it achieved a saving of more than \$2 million. These unusually large savings were generated by a series of management actions, a major result of which was a RIF of 50 employees and the reassignment of many other employees to different (and lesser) jobs. The morale of the Home's workforce is only now beginning to recover from this traumatic disruption. Henceforth, in the FY 77 Budget and onward, the Home's management and economy efforts will be constrained to keeping budgetary increases within the level of the annual CPI, reduced by whatever additional economies the Home can realize from our continuing management review.

*Question.* Are there any appropriated funds involved in financing the Home?

*Answer.* No.

*Question.* Would the Home agree to an outside agency such as the GAO investigating all phases of the operation of the Home?

*Answer.* In answering this question, I would be less than forthright if I did not preface my response by pointing out that the Home, for the past four years, has been the subject of the most comprehensive review of its operations that has ever been made. Under the direction of a high-level, joint Army-Air Force committee, this review encompassed all facets of the Home's fiscal problem, and included, among others, a manpower utilization survey of the Home's workforce, a management survey of all areas of the Home's operations, a Gallup Poll-type survey of a

sampling of 28,000 active-duty Army and Air Force enlisted personnel, and a delineation of options for obtaining additional sources of income. The resulting fiscal remedies implemented by the Board of Commissioners and Home officials have netted a saving of \$24 million during the past three fiscal years, details of which I reported in my appearance before Senator Byrd's subcommittee on September 7, 1976.

In addition to the foregoing in-depth review of its operations:

(1) The Home, as required by the law of 1883, is annually inspected by the Department of the Army Inspector General. Replies to the Inspector General's Report of Findings are annually transmitted to the Congress.

(2) The accounts of the Treasurer, U.S. Soldiers' and Airmen's Home are audited quarterly by the commercial firm of Ricketts, Gregg and Fattorini, Certified Public Accountants. The report of this audit is reviewed by the Board of Commissioners, which is authorized and directed by the Congress to overwatch the general and internal direction of of the Home.

(3) The Home's hospital is visited every two years by a team of surveyors, who inspect the facility for compliance with the standards of the Joint Commission on Accreditation of Hospitals.

If, after having reviewed the foregoing scope of the Home's on-going inspection program, the Congress still believes that an agency such as the GAO should investigate all phases of the Home's operations, I would agree—even though such action would appear to be a costly duplication of time, money and effort.

*Question.* Is the users fee as passed in the House the best way to assess the members equitably? If not, what other method do you propose?

Answer. Yes.

*Question.* How can the Committee best validate your stated funding requirement?

Answer. Validation of the Home's stated funding requirements lies, basically, in the acceptance of the Board of Commissioners' objective of preserving the purchasing value of the Home's Trust Fund, whose cash flow through FY 1990 is described, in detail, in the chart which I distributed during my appearance before Senator Byrd's subcommittee on September 7, 1976. The briefest analysis of these requirements is reflected in the FY 1990 "constant dollar" balance of \$112 million, which is based on the reasonable assumption that the annual CPI will average 7 percent during the period. The achievement of this balance of 112 million "constant dollars" in FY 1990 will provide sufficient income throughout the period to support the Home in its present mode and configuration and will, concurrently, allow required expenditures for necessary rehabilitation and, if need be, modest expansion of its physical plant.

*Question.* In some of the material provided the Committee it is stated that if the Home must continue to rely solely on its current income sources, the Permanent Fund balance will be depleted by the fall of 1986. What rate of inflation was used in that estimate?

Answer. An average annual rate of 7 percent.

*Question.* At what level do you recommend the Permanent Fund be maintained? Why?

Answer. As mentioned previously, the Permanent Fund should be maintained at a level which will preserve the purchasing value of its FY 1975 balance, and also permit required expenditures for necessary rehabilitation and, if needed, modest expansion of the Home's physical plant.

*Question.* How would the user fee and the monthly deduction from active duty Army and Air Force enlisted personnel pay need to be adjusted if the Permanent Fund was maintained at \$50 million?

Answer. Maintaining the Permanent Fund at a level of \$50 million would call for an extremely aggravated depletion of the Home's Trust Fund balance—a condition that would greatly accentuate the practice of deficit financing, which has been at the root of the Home's fiscal problem for the past six years. As the corpus of the Fund is reduced, the interest income received is accordingly reduced. Assuming that it is the intention of the Congress to maintain the traditional function and modus operandi of the Home, the impact of pursuing a fiscal course of action as posed in the question would result in a delayed but considerably larger User Fee assessment and a greatly increased monthly deduction from the active duty pay of Army and Air Force enlisted personnel.

*Question.* What is the largest amount that has ever been in the Fund?

Answer. \$110.6 million.

*Question.* What inequities do you see in the "user fee" concept?

*Answer.* Considering the fact that less than one-half of 1% of those eligible for membership in the Home actually use its facilities, it is only just and fair to expect that those who take full advantage of its benefits should help finance its operations, particularly in a period when increased costs and reduced income are placing in jeopardy the Home's fiscal viability. Such a contribution is not only reasonable, but preserves the self-supporting principle which has been the hallmark of the Home's operations since its founding in 1851. As for the method of assessment, the Board of Commissioners considers that the provisions of HR 13549 are most equitable in terms of members' ability to pay.

*Question.* What are the various sources of income the members have?

*Answer.* Military retirement pay, VA disability compensation and pension, social security payment, civil service annuity, and railroad retirement income.

*Question.* The House bill provides for up to 25 percent monthly of a member's military retired pay, VA disability compensation or pension or both for the user fee. What other sources of income are the members likely to have? Should all government funds being received by a member be subject to the percentage formula user fee? What would be the impact if other government funds were included?

*Answer.* Other sources of members' income are listed in the response to Question 8. The Board of Commissioners agrees that the H.R. 13549 User Fee percentages should be applied only against military retirement pay and VA disability compensation and pension—for the reason that the other sources of members' government-derived income are not exclusively related to members' military service. The impact of applying the H.R. 13549 User Fee percentages against all government-derived Home members' income was reported in the response to question 4 in my previous memorandum to you, dated September 3, 1976.

*Question.* In general, what dollar figures are you using for low and high incomes that are subject to the 25 percent user fee?

*Answer.* Low—\$210 per month; Medium—\$345 per month; High—\$689 per month; Average—\$366 per month.

*Question.* Why is there a need to increase the Permanent Fund at the annual inflation rate?

*Answer.* In order to insure that the total of all sources of Home income at least stay abreast of the increased cost of goods and services. Conversely, if this were not done, the Home would be forced, as at present, to resort to deficit financing by invading the corpus of its Permanent Fund balance.

*Question.* Referring to the requirement to fund the Home, what should the priority be between a user fee, increased monthly deduction and nonjudicial fines? If our bill only included one of these, which would you prefer? If two?

*Answer.* I would, first, like to reiterate my statement before Senator Byrd's subcommittee on September 7, 1976 to the effect that the enactment of all three items of our bill is needed and warranted. If, on the other hand, it becomes necessary to establish a priority among the three elements of our bill, the order of priority would be nonjudicial forfeitures, User Fee, and increased monthly deductions from active-duty pay. Inclusion of only one or two of these elements in our bill would, of course, follow the aforementioned order of priority.

*Question.* What would the impact on your financial position be if the user fee and increased monthly deduction were approved, but the authority to collect any funds from UCMJ fines was removed?

*Answer.* The Home's Trust Fund would be depleted in mid-1988.

*Question.* Does the Home today serve the same purpose as when it was originally chartered? Is there still a valid requirement?

*Answer.* The original purpose of the Home of providing a "home" for old, retired, and disabled soldiers and airmen is still valid. It can be compared to the Actors', Masons', and various labor unions' homes provided for the elderly and retired members of their profession, craft or organization. The U.S. Soldiers' and Airmen's Home is just that—a home where persons eligible for membership may spend the balance of their lives in a pleasant and peaceful environment, in company with colleagues of similar background and professional experience.

*Question.* You forecast the Permanent Fund will be depleted sometime in the mid-80's if additional income is not forthcoming? If it was known at this time that the Home would close *at that time*, what would the impact be? Assume that no new members would be taken in and that hospital patients would be transferred to VA facilities.

Answer. Our nation's society has many traditions that are treasured for their long tenures and for their contributions to our national life. The U.S. Soldiers' and Airmen's Home is a well established tradition within the military family and should be preserved and strengthened for its role of service, for the incentive it adds and the "rounding out" it gives to the choice of a military career; and for the very real contribution it makes to a fuller life for service men and women in their retirement years. Without the Home, many would-be qualified members would suffer physical and mental anguish, for experience of a century has shown that they need the care, support, and sense of security and "belonging" which the Home provides. Members' needs may be totally independent of their financial situation or of their ability to obtain entry into other retirement-type facilities. In other words, their need is not only for an environment that supports their physical demands, but also for one that nourishes those remembered and familiar aspects of life which were so much a part of their professionally active years. If the social and professional aspects of Home membership are set aside (even though they are most persuasive in the rationale for the Home's existence), it must be noted that failure of the Home would add to the burdens of Government-supported facilities which, in turn, would result in increased demands for tax dollars—thereby replacing an independent and self-supporting endeavor with one totally dependent on Government subsidy.

*Question.* What is your opinion about how the members feel about a user fee?

Answer. In my opinion, the preponderant majority of the Home membership feels that the assessment of a User Fee is just, and is needed. In support of this view, on October 6, 1975, I assembled in the auditorium of our Scott Building more than 50 percent of the Home membership for the purpose of informing them of the reasons why the Home needed the three additional sources of income included in our bill. During my 30-minute presentation, I was greatly, and pleasantly, surprised when I was applauded on five different occasions, one of which was when I stated that the Board of Commissioners found it necessary to request Congressional authority for the assessment of a User Fee.

*Question.* Is it correct that under the House bill "user fee" concept a member sharing a room with two others, although paying the same percentage, could pay a larger monthly dollar amount than a member having a single room?

Answer. That is correct. Room assignments are currently based on age, individual medical requirements and the need to provide the incentive of a desirable room assignment in order to attract Home members to accept employment in the Home's workforce. This policy will not change when, and if, the Congress authorizes the collection of a User Fee from members of the Home. In other words, the amount of the monthly User Fee paid by a member will have no bearing whatsoever on the type of room he will be assigned.

*Question.* Regarding the user fee, would it be possible to work out a combination percentage/flat rate formula that would provide more equity than a pure percentage or flat rate.

Answer. Based on the considerable amount of deliberation devoted to this subject by the Board of Commissioners and Home officials, I do not believe that it would be feasible to develop a combination percentage/flat rate formula that would provide more equity than the stated methods.

*Question.* Provide a breakout of O&M costs, in major categories, from 1960 to the present.

Answer. See chart, Enclosure 1, p. 36.

*Question.* Provide the same breakout for projections of O&M costs and how these are projected to increase. If, for example, a flat 7 percent increase in O&M costs is projected would this mean that utility costs and personnel costs would increase by 7 percent into the future. If so, is this reasonable.

Answer. For purposes of S. 2441, O&M cost projections beyond FY 76 were made on a total basis, not by major categories. These projected costs assumed a stabilized membership at about the current level and in about the same proportion of members and patients. Also, these O&M cost projections reflect an assumed average annual increase of 7 percent in the Consumer Price Index. This projected, over-all figure of 7 percent represents our best estimate of a composite of the varying price inflation rates for such diverse items as food and utilities (greater than 7 percent), contracts and supplies (less than 7 percent) and personnel (slightly under 7 percent). Although we claim no unusual clairvoyance in making these projections, we do believe that they are reasonable.

*Question.* Provide a breakout of staff by pay grade from 1960 to present and for each year give average pay grade and average cost per employee.

*Answer.* See charts, Enclosure 2, p. 37. These charts provide the requested data for the five fiscal years, 1972 to 1976. Before 1972, the Home's *manual* payroll system did not provide the requested breakout.

*Question.* What do your projections assume for personnel numbers, raises, average grade?

*Answer.* As a point of departure in responding to the question, it is pertinent to point out that considerable economies have been effected in the Home's workforce during the past three years, to include: reduction of authorized personnel ceiling from 1266 to 1084; implementation of three reductions-in-force and, wherever feasible, not filling positions when they become vacant; replacing certain full-time employees with part-time personnel; and, wherever practicable, replacing non-member employees with Member employees, who are paid at approximately 50 percent of the rate paid their non-Member counterparts.

Personnel costs are included in O&M cost projections, and are based on the following assumptions:

(1) Barring any large increase in Home membership, the size of the workforce will remain at, or below, the current level for the foreseeable future;

(2) Government-wide pay raises will increase salaries by approximately 7 percent annually;

(3) Subject to legal limitations, average grades will be held to current levels.

*Question.* From your O&M breakout, by major category, provide a chart as to how much of this goes for the hospital. Provide historical data on this going back 10 years so as to show whether the hospital has been taking an increasing, decreasing or about the same share of O&M costs.

*Answer.* Although we cannot document Home Hospital costs according to the major categories shown in the chart at Enclosure 1, it is our best estimate that the hospital portion of total O&M costs is approximately 50 percent. This percentage has varied only slightly in the past ten years, ranging from 48 percent to the current 51.2 percent. Generally speaking, Home Hospital costs are on the increase, but they do not reflect the national trend of tremendous increase in the cost of hospital operations.

*Question.* What do projections assume in this area?

*Answer.* Projections assume that Home Hospital operational costs can be met within the over-all 7 percent annual increase in O&M costs.

A large part of the savings accruing from the Home's management efforts in the past three years can be attributed to major improvements effected in the operation of the Home Hospital. As a result, the present configuration of the Home Hospital represents the optimum hospital structure needed to serve the current and foreseeable-future membership of the Home. The organization, physical plant and operational procedures of the Home Hospital, today, are designed to handle the medical requirements of the average Home member from the time of his initial entry into the Home until his departure or demise.

Our projections, therefore, assume the continued operation of the Home Hospital as an integral part of the Home and its basic purpose, i.e., to provide continuous care in a "home" atmosphere, from service retirement to grave.

*Question.* Provide data showing how the User Fee would change if all Federal Government income were considered, i.e., social security, civil service annuity, railroad retirement, etc., as well as military retirement pay and VA pensions.

*Answer.* See chart, Enclosure 3, p. 42.

ENCLOSURE 1  
TOTAL OPERATION AND MAINTENANCE COSTS, FISCAL YEAR 1960-76  
[In thousands of dollars]

	Fiscal year—																
	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976
Salaries.....	3,808	4,025	4,098	4,311	4,567	4,908	5,180	5,458	5,708	6,100	6,751	7,501	8,304	8,714	9,705	10,254	10,352
Benefits.....	242	279	290	306	334	345	361	390	413	450	499	585	681	741	845	937	1,045
Rations.....	572	574	571	588	623	620	653	648	677	687	768	770	843	891	1,012	1,056	1,085
Supplies.....	309	309	334	360	414	410	433	459	465	553	636	636	675	736	781	757	768
Utilities.....	108	114	115	124	128	129	131	134	142	150	172	190	194	216	244	244	364
Fuel oil.....	101	108	103	105	111	98	90	102	104	115	117	158	196	203	411	564	517
Equipment.....	163	86	376	99	172	113	138	192	255	233	237	160	197	191	374	251	71
Maintenance.....	299	292	228	442	384	247	189	193	244	210	273	361	290	313	218	245	102
Medical contracts.....	113	170	169	215	151	140	123	121	139	132	145	143	155	151	122	88	104
Miscellaneous.....	-90	-85	-87	-137	-129	-125	-126	-18	-9	-3	14	31	44	71	95	96	92
Total.....	5,625	5,872	6,197	6,413	6,755	6,889	7,149	7,653	8,132	8,539	9,529	10,535	11,579	12,227	13,807	14,597	14,500

ENCLOSURE 2  
STAFF PAY GRADES—FISCAL YEARS 1972 TO 1976

	GS		WG		Officer		Doctor		AM		AN	
	Number of employees	Per annum										
FISCAL YEAR 1972												
Full-time permanent positions (grades):												
16	1	\$22,487			1	\$29,678						
15	6	113,182			2	57,137						
14	8	124,676			1	24,156	1	\$27,816				
13	1	113,182			1	21,862	1	23,737				
12	1	113,182			1	17,932						
11	9	94,321	1	\$14,206								
10	8	110,978	9	94,321								
9	19	198,198	19	198,198								
8	36	199,920	36	375,877								
7	46	196,273	46	436,043								
6	40	433,042	14	129,161								
5	26	242,986	15	125,317								
4	59	498,921	54	424,940								
3	79	584,120	7	52,556					6	\$23,961	9	34,609
2	119	778,434	41	291,383					31	110,451	9	32,443
1	11	56,826	154	1,012,809					65	198,514	2	6,760
	1	4,868	34	205,755					11	29,682	27	84,695
Total	391	2,366,713	430	3,360,466	6	150,815	2	51,553	116	370,179	111	347,200
Average grade and salary	5.01	8,611	4.52	7,815	14.17	25,136	13.50	25,776	3.22	3,191	2.03	3,128
Number of Other than Full-time Permanent Positions	14	165,191	38	178,197					18	116,254	0	0
Other than full-time Permanent positions—Average main-years and Salary paid	5	13,038	13	5,322					4	4,063	0	0

See footnotes at end of table.





STAFF PAY GRADES—FISCAL YEARS 1972 TO 1976—Continued

	GS		WG		Officer		Doctor		AM		AN		
	Number of employees	Per annum											
FISCAL YEAR 1975													
Full-time permanent positions (grade):													
16													
15					1	\$36,000						1	\$5,512
14					1	30,812							
13					1	29,846		3	\$100,627				
12					1	26,178		4	117,071				
11					1	18,463		1	23,998			3	14,913
10					1	\$19,385							
9					6	87,048							
8					25	347,642							
7					32	452,534							
6					38	476,621							
5					15	197,158							
4					19	216,271							
3					38	406,898				2	\$10,900	1	5,491
2					21	32,575				5	23,296	8	40,181
1					21	206,097				50	202,467	5	24,417
					133	1,230,702				47	167,711	3	13,331
					23	183,012				8	26,145	35	145,688
										2	6,178	32	127,174
Total	378	3,947,228	360	3,921,943	5	141,299	8	241,696	114	436,697	88	376,707	
Average grade and salary													
	5.33	10,442	4.77	10,894	14.00	28,260	13.25	30,212	3.49	3,831	2.63	4,281	
Number of other than full-time permanent positions													
	9	164,011	52	1,185,463					11	128,955	25	130,476	
Other than full-time permanent positions; average man-years and salary paid													
	4	7,112	22	8,430					7	4,136	8	3,809	



ENCLOSURE 3  
INCOME PROJECTIONS FROM USER FEE

Fiscal year (1)	User fee rate (percent) <sup>1</sup> (2)	Income		Difference: (4)-(3) (5)
		H.R. 13549 <sup>2</sup> (3)	All Federal sources <sup>3</sup> (4)	
1977-----	12.5	\$1,228,150	\$1,407,925	\$179,775
1978-----	15.0	1,559,249	1,785,766	226,517
1979-----	17.5	1,920,362	2,197,845	277,483
1980-----	20.0	2,313,663	2,646,642	332,979
1981-----	22.5	2,741,464	3,134,795	393,331
1982-----	25.0	3,206,230	3,665,117	458,887

<sup>1</sup> Under H.R. 13549, user fee is assessed at a rate of 12.5 percent of members' Federal income in fiscal year 1977, and increases by equal annual increments to a rate of 25 percent in fiscal year 1982, and remains at that rate thereafter.

<sup>2</sup> Under H.R. 13549, home members' Federal income, for assessment purposes, includes military retired pay, VA disability compensation or pension (limited), or both, and is estimated to average \$366 per month per member in fiscal year 1977. Members' income is assumed to increase 5 percent per year. A home membership of 2,500 and a 6 percent nonpayment rate are also assumed. Collection costs, beginning at \$62,000 per year in fiscal year 1977, are assumed to increase at a rate of 7 percent per year.

<sup>3</sup> Home members' Federal income, for assessment purposes, includes income from all Federal sources, to include military retired pay, VA disability compensation or pension, social security, civil service annuity, and railroad retirement, is estimated to average \$417 per month per member in fiscal year 1977; and is assumed to increase 5 percent per year. A home membership of 2,500 and a 6 percent nonpayment rate are also assumed. Collection costs, beginning at \$62,000 per year in fiscal year 1977, are assumed to increase at a rate of 7 percent per year.



