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PENSIONS

1571-9

HEARING
BEFORE THE
COMMITTEE ON FINANCE
UNITED STATES SENATE
EIGHTY-EIGHTH CONGRESS
SECOND SESSION

ON

H.R. 1927

AN ACT TO AMEND TITLE 38, UNITED STATES CODE, TO
REVISE THE PENSION PROGRAM FOR VETERANS OF
WORLD WAR I, WORLD WAR II, AND THE KOREAN CON-
FLICT, AND THEIR WIDOWS AND CHILDREN, AND FOR
OTHER PURPOSES

AUGUST 19, 1964

Printed for the use of the Committee on Finance



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WEDNESDAY, AUGUST 19, 1964

U.S. SENATE,
COMMITTEE ON FINANCE,
Washington, D.C.

The committee met, pursuant to notice, at 10 o'clock a.m., in room 2221, New Senate Office Building, Senator Harry Flood Byrd (chairman) presiding.

Present: Senators Byrd (presiding), Long, Gore, Talmadge, McCarthy, Ribicoff, Williams, Bennett, Curtis, Morton, and Dirksen.

Also present: Elizabeth B. Springer, chief clerk.

The CHAIRMAN. The meeting will come to order. The hearing today is on the bill H.R. 1927, which increases the non-service-connected disability pension rates, liberalizes the income limitation, and provides additional exclusions from income in determining eligibility. I place in the record a copy of the bill and also a copy of the report on the bill submitted by the Bureau of the Budget.

(The bill and the report of the Bureau of the Budget follow:)

[H.R. 1927, 88th Cong., 2d sess.]

AN ACT To amend title 38, United States Code, to revise the pension program for veterans of World War I, World War II, and the Korean conflict, and their widows and children, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 503, title 38, United States Code, is amended by (a) inserting "10 per centum of the amount of" immediately before "payments" in paragraph (6) and striking out "equal to his contributions thereto"; and (b) adding after paragraph (8) five paragraphs as follows:

"(9) amounts equal to amounts paid by a veteran for the last illness and burial of his deceased spouse or child;

"(10) profit realized from the disposition of real or personal property other than in the course of a business;

"(11) payments received for discharge of jury duty or obligatory civic duties;

"(12) payments of educational assistance allowance or special training allowance under chapter 35 of this title;

"(13) payments of bonus or similar cash gratuity by any State based on service in the Armed Forces."

SEC. 2. Section 506(a)(2), title 38, United States Code, is amended by inserting "other than a child," immediately after "person".

SEC. 3. (a) Section 521(a), title 38, United States Code, is amended by inserting "(1) who is sixty-five years of age or older, or (2)" immediately after "service requirements of this section, and".

(b) The title of chapter 15 in the analysis at the head of title 38, United States Code, and at the head of chapter 15, is amended by inserting "or for Age" and "OR FOR AGE" immediately after "Service" and "SERVICE", respectively.

(c) The catchline at the head of section 521 in the analysis of chapter 15, title 38, United States Code, and at the head of section 521 proper, is amended to read "Pension for Non-Service-Connected Disability or for Age" and "PENSION FOR NON-SERVICE-CONNECTED DISABILITY OR FOR AGE", respectively.

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SEC. 4. (a) The table in section 521(b), title 38, United States Code, is amended to read as follows:

"Column I		Column II
Annual income		
More than—	but	Equal to or less than—
\$800 1,300		\$800 1,300 1,800
		\$90 70 40"

(b) The table in section 521(c), title 38, United States Code, is amended to read as follows:

"Column I			Column II	Column III	Column IV
Annual income					
More than—	but	Equal to or less than—	One dependent	Two dependents	Three or more dependents
\$1,200 2,200		\$1,200 2,200 3,000	\$105 75 45	\$105 75 45	\$110 75 45"

(c) The table in section 541(b), title 38, United States Code, is amended to read as follows:

"Column I		Column II
Annual income		
More than—	but	Equal to or less than—
\$800 1,300		\$800 1,300 1,800
		\$65 45 25"

(d) The table in section 541(c), title 38, United States Code, is amended to read as follows:

"Column I		Column II
Annual income		
More than—	but	Equal to or less than—
\$1,200 2,200		\$1,200 2,200 3,000
		\$90 60 40"

SEC. 5. Section 521(d), title 38, United States Code, is amended by striking out "\$70" and inserting in lieu thereof "\$100".

SEC. 6 (a) Section 521 is further amended by redesignating subsections (e) and (f) as subsections (f) and (g), respectively, and by inserting immediately after subsection (d) thereof the following new subsection:

"(e) If the veteran has a disability rated as permanent and total, and (1) has additional disability or disabilities independently ratable at 60 per centum or more, or, (2) by reason of his disability or disabilities, is permanently house-bound but does not qualify for the aid and attendance rate under subsection of this section, the monthly rate payable to him under subsection (b) or (c) shall be increased by \$35."

(b) Section 502, title 38, United States Code, is amended by adding after subsection (b) the following subsection:

"(c) For the purposes of this chapter, the requirement of 'permanently house-bound' will be considered to have been met when the veteran is substantially confined to his house (ward or clinical areas, if institutionalized) or immediate premises due to a disability or disabilities which it is reasonably certain will remain throughout his lifetime."

SEC. 7. Section 521(e) (1), title 38, United States Code, as redesignated section 521(f) (1) under section 6 of this Act, is amended by striking out "except \$1,200 of such income" and substituting in lieu thereof the following: "in excess of whichever is the greater, \$1,200 or the total earned income of the spouse."

SEC. 8. Section 3203(f), title 38, United States Code, is amended to read as follows:

"(f) Where any veteran in receipt of an aid and attendance allowance described in section 314(r) of this title is hospitalized at Government expense, such allowance shall be discontinued from the first day of the second calendar month which begins after the date of his admission for such hospitalization for so long as such hospitalization continues. Any discontinuance required by administrative regulation, during hospitalization of a veteran by the Veterans' Administration, of increased pension based on need of regular aid and attendance or additional compensation based on need of regular aid and attendance as described in subsection (l) or (m) of section 314 of this title, shall not be effective earlier than the first day of the second calendar month which begins after the date of the veteran's admission for hospitalization. In case a veteran affected by this subsection leaves a hospital against medical advice and is thereafter admitted to hospitalization, such allowance, increased pension, or additional compensation, as the case may be, shall be discontinued from the date of such readmission for so long as such hospitalization continues."

SEC. 9. Section 612 of title 38, United States Code, is amended by adding at the end thereof the following new subsection:

"(g) Any veteran who as a veteran of World War I, World War II, or the Korean conflict is receiving increased pension under section 521(d) of this title based on need of regular aid and attendance may be furnished drugs or medicines ordered on prescription of a duly licensed physician as specific therapy in the treatment of an illness or injury suffered by the veteran."

SEC. 10. Section 3104(a) of title 38, United States Code, is amended by inserting "or concurrently to any person based on the service of any other person" immediately before the period at the end thereof.

SEC. 11. Effective November 1, 1964, in computing the income of persons whose pension eligibility is subject to the first sentence of section 9(b) of the Veterans Pension Act of 1939, there shall be excluded 10 per centum of the amount of payments received under public or private retirement, annuity, endowment, or similar plans or programs.

SEC. 12. (a) Except as otherwise provided herein, this Act shall take effect on January 1, 1965.

(b) The amendment to paragraph (6) of section 503, title 38, United States Code, shall take effect on November 1, 1964, except that it shall not apply to any individual receiving pension on October 31, 1964, under chapter 15 of said title, or subsequently determined entitled to such pension for said day, until his contributions have been recouped under the provision of that paragraph in effect on October 31, 1964.

Passed the House of Representatives August 11, 1964.

Attest:

RALPH R. ROBERTS, *Clerk.*

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.C., August 13, 1964.

HON. HARRY F. BYRD,
Chairman, Committee on Finance, U.S. Senate,
New Senate Office Building, Washington, D.O.

DEAR MR. CHAIRMAN: Your committee has under consideration the bill H.R. 1927, to amend title 38, United States Code, so as to revise the rates of disability and death pension authorized by the Veterans Pension Act of 1959, and for other purposes. The purpose of this letter is to provide you with the views of the Bureau of the Budget regarding this legislation.

The bill would authorize a number of far-reaching exemptions in income limitations established by the Veterans Pension Act of 1959, eliminate entirely for veterans over age 65 the requirement of 10 percent disability and the requirement that the veteran be unemployable because of the disability, increase rates for veterans in the lowest bracket, raise the income limitation in the two lower brackets, provide free drugs and medicine to "aid and attendance" cases as well as increase the payment rates for these cases, and effect a number of other changes.

The basic and long-standing principle on which the Veterans Pension Act of 1959 was enacted—after long and careful study by the Congress—is that pensions should be based on need. Under the Veterans Pension Act, need is demonstrated by three tests: (1) The veteran must be disabled, (2) his disability must prevent his employment, and (3) his annual income must be below amounts specified in three brackets, with the amount of his pension varying inversely with the amount of his income. The changes proposed in H.R. 1927 very seriously undermine the principle of need, and for this and other reasons the Bureau of the Budget strongly objects to this bill.

One of the more far-reaching and, we believe, more costly changes proposed in the bill is the provision to eliminate the disability requirement for veterans over age 65 as well as the test that they be unemployable because of disability. For those having the minimum of 90 days' service, this would leave only income as the test for entitlement to pension. Estimates of the costs which would result from this provision are open to challenge but we believe the following data indicate it could be a very costly change. It is estimated that about 150,000 to 175,000 additional veterans over age 65 would become immediately eligible for pensions if income were left as the only bar and tens of thousands more could find it advantageous to leave or reduce their employment in order to reduce their incomes so that they could claim a veterans pension. If only 100,000 in these groups should apply for and receive an average annual pension of \$700, it would cost \$70 million a year.

If income is the only effective test of need required, there may well be pressures to raise income limitations still further. When World War II and Korean conflict veterans reach retirement age in large numbers, the cost impact of these developments will be multiplied. We see no reason to drop the long-standing disability and unemployability tests.

The bill would increase monthly payments for pensioners in the lowest income brackets by \$5 to \$10 a month. Approximately 300,000 of the 1,200,000 pension cases on the rolls would benefit by this rate increase. Large increases in benefits would go to individuals with more income. By raising the upper limits of the lower two income brackets, tens of thousands of pensioners now in higher brackets would be covered into the lower and middle brackets, increasing their pensions by \$20 to \$35 a month, amounts in some cases equal to 75 percent of their present pension. To illustrate:

A single veteran with \$1,300 of other income a year will have his \$40 monthly pension raised by \$30.

A married veteran with \$1,200 of other income will have his \$75 monthly pension increased by \$35; but

A single veteran with no income except his \$85 monthly pension will get only \$5 more; and

A married veteran with three children and no income except his \$100 monthly pension will receive \$10 more—moreover, his total annual income will be only \$1,320 as compared to \$2,140 for the single veteran in the first example.

These substantial increases for veterans at higher income levels are difficult to square with the modest increases for people with little income or none.

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Other liberalizations in income definition would also give greater benefits to those with larger incomes. For example, the entire amount of the spouse's income would now be excluded from family income limitation, permitting a veteran whose income is derived entirely from his spouse's earnings to receive a \$1,200 pension even if his wife's income is \$5,000, \$10,000, or more. This does not comport with the principle of need. Another example of proposed changes favoring the veteran already better off would be the exemption from income limitation of the profits from the sale of property.

H.R. 1927 would substitute for the present recoupment provisions an exemption from the annual income limitations amounting to 10 percent of the income received from all private or public retirement or income support programs. While this would bar from pensions those individuals whose retirement income, after a 10 percent reduction, would still exceed the income limitation, the substitute, in our eyes, is unsatisfactory. Viewed as a "recoupment provision" it:

1. Would provide the greater exemption to the individual who has the larger retirement or other income support payment and has the lesser need for preferential treatment;
2. Would permit veterans who have already recouped 100 percent of their contributions to "recoup" a second time;
3. Would permit the 10-percent exemption to be taken against all retirement, annuity, endowment, and other similar income, including income from noncontributory programs and plans as well as contributory ones, and would apply to the total income of contributory plans—even though typically the individual's contributions are only a small fraction of the value of the benefits paid (e.g., under OASDI contributions by the individual are now less than 10 percent of benefits and are unlikely to exceed 25 percent for many years); and
4. Assumes a 10-year life expectancy at the age of 65 whereas more recent tables show 13 years or more.

This provision is in fact simply a flat exemption of a portion of all the income support payments which come from other public or private programs or plans. We believe that all such income, including income presently exempted under the "recoupment" provision of existing law, should be counted under the VA pension income limitations in keeping with the need principle, because such income is available for living expenses. Exempting a flat portion of such income from consideration in determining need for a VA pension opens the door for further exemptions which will still further undercut the whole concept of non-service-connected pensions. As discussed below, if the OASDI increases are believed to cause a significant problem for VA pensioners, a much more direct, less costly, less damaging saving clause can be worked out.

The cost of the bill as estimated by its sponsors is \$72 million for 1966 (costs for 1965 are only for the portion of the year after enactment) and almost half a billion dollars for the first 5 years. We believe this estimate to be low because it assumes that (a) virtually no new cases will be added to the rolls as a result of the liberalizations, (b) the costs resulting from transfers from the "old" pension law to the "new" pension act will not be attributed to the proposed changes even though the additional liberalizations were responsible for the transfers, and (c) the estimates include nothing in extra costs because of the proposed elimination of the disability and unemployability tests. Earlier estimates of the cost of the bill were \$125 million for 1966 and nearly three-quarters of a billion dollars for the first 5 years.

While we have not had an opportunity to complete our analysis, there is reason to believe that the costs would run substantially higher than either of these estimates. No provision has been made in the 1965 budget for these costs.

We note, finally, that the social security system provides increased support for veterans. Ninety percent or more of our veterans are covered under the basic OASDI system. The House-passed social security bill will provide benefit increases and entitlement for hundreds of thousands of veterans now on the rolls. A minority of veterans will be adversely affected because the increase in social security benefits increases their total income and thus may reduce or eliminate their pensions if they are at the margin of income limitation. The individuals suffering the greatest loss, however, are those under the old pension plan where excess income bars the entire pension in an all-or-nothing manner. These persons can ameliorate their loss by transferring to the new pension plan.

For others adversely affected we would recommend a temporary saving clause to provide a transition period. Such a provision might permit continued receipt

of present veterans' pensions for the first year, notwithstanding the social security increase, a one-third adjustment toward the new level for the second year, a two-thirds adjustment the third year, and full adjustment thereafter.

For the reasons outlined above, the Bureau of the Budget strongly opposes H.R. 1927, and its enactment would be inconsistent with administration objectives.

Sincerely,

KERMIT GORDON, *Director.*

The CHAIRMAN. The first witness is the Honorable John S. Gleason, Administrator of Veterans' Affairs.

Take a seat, Mr. Gleason.

STATEMENT OF JOHN S. GLEASON, JR., ADMINISTRATOR OF VETERANS' AFFAIRS; ACCOMPANIED BY WILLIAM J. DRIVER, DEPUTY ADMINISTRATOR; AND A. W. STRATTON, DEPUTY CHIEF BENEFITS DIRECTOR, VETERANS' ADMINISTRATION

Mr. GLEASON. Mr. Chairman and members of the committee, I am honored by this opportunity to discuss the provisions of the House-approved bill, H.R. 1927, its effect upon the Veterans' Administration pension programs, and our position on the measure.

The bill proposes certain liberalizations in the pension programs for veterans of World War I and later wars, and their widows and children. These changes relate primarily to rates, income limitations, and the standards for computation of income.

With the committee's permission, I will review pertinent pension background which may be helpful to consideration of the measure.

Pension for veterans of World War I and later wars, and their dependents, was the subject of extensive study by the legislative and executive branches, culminating in the enactment of Public Law 211, effective July 1, 1960.

The so-called new pension program retains (a) the requirements of permanent and total disability and need in the payment of veteran's pension, and (b) the requirement of need in the payment of death pension to their widows and children. However, it instituted a graduated scale of benefits with three income categories, designed to more equitably distribute benefits according to the relative need of pensioners. This is considered a substantial improvement over the "all or nothing" principle of the old law, which provided a single income limitation and a single pension rate for each group of payees.

Consistent with the underlying philosophy of need, with certain limited exceptions income from all sources is considered in determining income. Insofar as is pertinent to H.R. 1927 these exceptions include (a) payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs equal to his contributions thereto; and (b) amounts equal to amounts paid by a widow or child of a deceased veteran for his just debts, the expenses of his last illness, and the expenses of his burial to the extent that such expenses are not reimbursed under chapter 23 of title 38, United States Code. In veteran's pension cases, annual income of his spouse in excess of \$1,200, reasonably available to him, is considered income except in hardship cases. Further, in all pension cases, payment is not made if the corpus of the claimant's estate (net worth) is such that under all the circumstances, including consideration of income, it is reason-

able that some part of the corpus be consumed for the claimant's maintenance.

Age is considered in association with disability and unemployability in determining permanent and total disability in payment of veteran's pension. For example, at age 65, such rating will be assigned to a veteran with a permanent 10-percent disability if he is unable to follow substantially gainful employment by reason of the disability.

A savings provision of the new pension law permits persons on the pension rolls on June 30, 1960, the day before the effective date of the new pension law, who do not elect to receive pension under the new law, to continue to receive pension under the old law, if otherwise qualified.

Section 1 of H.R. 1927 deals with exclusions from income under the new pension law. It proposes to change the present retirement income exclusion and add five new exclusions. As previously indicated, there is currently excluded only the amount of the claimant's retirement income which represents recoupment of his own contributions to the retirement program. This results in unrealistic situations wherein individuals not in need are placed on the rolls for varying periods of time. For example, Mr. Chairman, a \$20,000-per-year corporate executive who retires on an annuity of \$12,000 per annum could, if he had no other income and is otherwise qualified, draw a pension until he had recouped the amount he had paid into the corporate retirement fund. Subsequently, after recoupment of contributions pension is reduced or terminated. The proposal would eliminate the recoupment feature and substitute a standard exclusion of 10 percent of such income. Additionally, widows and children receiving benefits from retirement programs in which deceased veterans participated would acquire the advantage of exclusion of 10 percent of such benefits from income.

The retirement income amendment would have the effect of excluding from computation of income for pension purposes the 5-percent increases in social security payments under amendments to the Social Security Act currently proposed by H.R. 11865. November 1, 1964, the proposed effective date of the amendment, is intended to insure timely relief as to these proposed social security increases. Otherwise such increases could cause discontinuance or reduction of pension for as many as 100,000 persons presently on the rolls. We understand the increases will be reflected in the November social security payments in the event of enactment of H.R. 11865 during August 1964.

Section 11 of H.R. 1927 proposes a similar retirement income exclusion for those persons receiving pension under the old program pursuant to the aforementioned savings provision.

Section 12 of the bill contains a savings provision designed to preclude any adverse effect from amendment of the retirement income provision upon persons receiving or entitled to receive pension under present law on the day before November 1, 1964, the effective date of the amendment. It would allow application of the recoupment provision until such time as recoupment had been completed. Thereafter, the 10-percent exclusion would apply.

The five new exclusions proposed under section 1 of H.R. 1927 are: amounts equal to those paid by a veteran for the last illness and burial of his deceased spouse or child; profit realized from the disposition of

real or personal property other than in the course of a business; payments received for discharge of jury duty or obligatory civic duties; payments of educational assistance allowance or special training allowance to war orphans under chapter 35 of title 38, United States Code; and payments of bonus or similar cash gratuity by any State based on service in the Armed Forces.

At present, profit from the sale of real or personal property is chargeable as income in determining pension eligibility. Profit from the sale of a home, however, is excluded if it is applied within a prescribed time to purchase of another home. Section 1 would expand this exclusion to exclude profit realized from the sale of any real or personal property other than in the course of a business.

Payments received for service as a juror or other obligatory civic duties are currently chargeable as income. The payments are generally small, but, in some instances of persons whose incomes are just under the applicable income limitation, they can result in reduction or termination of pension. However, such payments are available for support to the same extent as any other income, and their exclusion would be inconsistent with the principle of need on which the pension programs are based. On the other hand, there does arise a question as to whether a person should be penalized for performing a civic duty.

While bonuses and similar cash gratuities were excluded in computation of pension under the old law, the Congress did not continue the exclusion under the new law, consistent with its intent to provide pension under more effective and realistic tests of need. Payments of bonus represent money available for support to the same extent as other income and there is a question whether their exclusion would be consistent with the need concept.

Benefits under the war orphans educational assistance program, which would be excluded under the bill, are substantial. They are intended to meet, in part, the child's subsistence. Similarly, pension is intended as a measure of support. Counting the educational benefits as income for pension purposes under the new law seems consistent with the intent of the law.

Section 2 of H.R. 1927 would eliminate the requirement of the submission of annual income questionnaires by children beneficiaries. Under the existing program each pensioner must submit a report annually respecting income and corpus of estate. For children this requirement is generally unnecessary because of fixed income and assets; and consequently results in unwarranted administrative work and detail.

Section 3 would permit the payment of pension to otherwise eligible veterans 65 years of age or older without any requirement of disability and related unemployability. Experience has shown that substantially all veterans in this age group whose income is within authorized limits have been found to be permanently and totally disabled for pension purposes based on determination of a disability of 10 percent with resulting unemployability. Such experience would indicate that little effect on benefit costs from this amendment. Also, some administrative savings might be hoped for due to elimination of physical examinations and disability evaluations.

Section 4 would increase certain of the monthly pension rates and realine the annual income categories. It would grant a small increase

in the rates of the most needy groups; namely, those in the lowest income category. The realignment of the annual income categories still retains the current maximums of \$1,800 and \$3,000 depending on family status.

Section 5 would increase the aid and attendance pension allowance from \$70 to \$100 per month. This increase presumably is in line with the concept of helping those whose need is greatest. The proposal considers that these individuals present a special problem because of their helpless condition.

Section 6 proposes a new special pension allowance for veterans who are housebound, similar to the housebound allowance now provided in payment of service-connected disability compensation. The special rate of \$35 monthly would be added to the basic rate to which the veteran is otherwise entitled. The needs of the housebound veteran are somewhat greater than the average pensioner but less than those of the helpless pensioner. The proposal for a new rate recognizes this distinction and is designed to close the gap between the two extremes.

Section 7 would amend the existing requirement on spouse's income. Currently, all income of the spouse reasonably available to the veteran is considered his income with the exception of \$1,200. The proposed amendment would exclude all earned income of a spouse or \$1,200, whichever is the greater.

Section 8 would liberalize the standard relating to termination of the aid and attendance pension allowance of veterans hospitalized by the Veterans' Administration. Currently, this allowance is discontinued upon admission. We have found this works a hardship in many instances, where a veteran enters the hospital for checkups and short periods of treatment. Also, the prospective loss of such allowance can act as a deterrent to the seeking of necessary short-term treatment. The section would provide that the aid and attendance pension allowance of a veteran shall not be discontinued until the first day of the second calendar month after the date of admission to hospitalization and would accomplish uniformity by application of the same standard to compensation cases.

As you know, an identical provision to section 8 is included as section 5 of H.R. 8009, a bill providing nursing home care for certain veterans, among other things. The bill was passed by the Congress and is now awaiting action by the President. In our report of March 9, 1964, to the Senate Committee on Labor and Public Welfare, we recommended enactment of this section.

Section 9 of the bill would amend section 612, title 38, United States Code, adding a new subsection (g), to authorize the furnishing of prescription drugs and medicines as specific therapy in treatment of an illness or injury suffered by any veterans receiving the aid and attendance pension allowance. This provision would apply to prescriptions by licensed private physicians and would not involve outpatient treatment by Veterans' Administration except by way of furnishing drugs and medicines.

Section 10 is a technical clarifying amendment to a section of the law prohibiting payment of duplicate benefits.

I have discussed sections 11 and 12 of the bill earlier in conjunction with section 1 and have nothing to add regarding them.

The cost of H.R. 1927 for that part of the fiscal year from January 1, 1965, through June 30, 1965, if enacted, is estimated to be \$43,880,590. The full year cost for the fiscal year 1966 is estimated to be \$72,619,530, with the cost increasing to an estimated \$111,437,400 in the fifth year.

May I add, Mr. Chairman, that the formal report of the Veterans' Administration on H.R. 1927, in answer to the request of your committee, received late Monday evening, is in preparation and will be forwarded as soon as possible.

(The report subsequently submitted follows:)

AUGUST 26, 1964.

HON. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: This report on H.R. 1927, 88th Congress, is furnished in response to your request.

The bill proposes certain liberalizations in the pension programs for veterans of World War I and later wars, and their widows and children. These changes relate primarily to rates, income limitations, and the standards for computation of income.

Pension for veterans of World War I and later wars, and their dependents, was the subject of extensive study by the legislative and executive branches, culminating in the enactment of Public Law 86-211, effective July 1, 1960. The so-called new pension program retains (a) the requirements of permanent and total disability and need in the payment of veteran's pension, and (b) the requirement of need in the payment of death pension to their widows and children. However, it instituted a graduated scale of benefits with three income categories, designed to more equitably distribute benefits according to the relative need of pensioners. This is considered a substantial improvement over the "all or nothing" principle of the old law, which provided a single income limitation and a single pension rate for each group of payees.

For veterans unmarried and without a child, the monthly rates are \$85, \$70, and \$40, depending upon yearly income which may not exceed \$600, \$1,200, and \$1,800, respectively. For veterans married or with a child, if annual income does not exceed \$1,000 the monthly rates range from \$90 to \$100 depending upon the number of dependents. Other rates for veterans with dependents are \$75 and \$45 where annual income does not exceed \$2,000 and \$3,000, respectively. The applicable rate is increased by \$70 monthly for veterans in need for regular aid and attendance.

For widows without children and the monthly rates are \$60, \$45, and \$25, depending upon annual income which may not exceed \$600, \$1,200, and \$1,800, respectively. For widows with one child the rates are \$75, \$60, and \$40, depending upon annual income which may not exceed \$1,000, \$2,000, and \$3,000, respectively. A benefit of \$15 monthly is payable for each additional child.

Consistent with the underlying philosophy of need, with certain limited exceptions income from all sources is considered in determining income for pension purposes. Insofar as is pertinent to H.R. 1927 these exceptions include (a) payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs equal to his contributions thereto, and (b) amounts equal to amounts paid by a widow or child of a deceased veteran for his just debts, the expenses of his last illness, and the expenses of his burial to the extent that such expenses are not reimbursed under chapter 23 of title 38, United States Code. In veteran's pension cases, annual income of his spouse in excess of \$1,200, reasonably available to him, is considered income except in hardship cases. Further, in all pension cases, payment is not made if the corpus of the claimant's estate (net worth) is such that under all the circumstances, including consideration of income, it is reasonable that some part of the corpus be consumed for the claimant's maintenance.

Age is considered in association with disability and unemployability in determining permanent and total disability in payment of veteran's pension. For example, at age 65, such rating will be assigned to a veteran with a permanent 10-percent disability if he is unable to follow substantially gainful employment by reason of the disability.

A savings provision of the new pension law permits persons on the pension rolls on June 30, 1960, the day before the effective date of the new pension law, who do not elect to receive pension under the new law, to continue to receive pension under the old law, if otherwise qualified.

Section 1 of H.R. 1927 deal with exclusions from income under the new pension law. It proposes to change the present retirement income exclusion and add five new exclusions. As previously indicated, there is currently excluded only the amount of the claimant's retirement income which represents recoupment of his own contributions to the retirement program. This results in unrealistic situations wherein individuals not in need are placed on the rolls for varying periods of time. Subsequently, after recoupment of contributions pension is reduced or terminated. The proposal in section 1 would eliminate the recoupment feature and substitute a standard exclusion of 10 percent of such income. Additionally, widows and children receiving benefits from retirement programs in which deceased veterans participated would acquire the advantage of exclusion of 10 percent of such benefits from income.

Section 11 of H.R. 1927 proposes a similar retirement income exclusion for those persons receiving pension under the old program pursuant to the aforementioned savings provision.

These retirement income amendments would have the effect of excluding from computation of income for pension purposes the 5-percent increases in social security payments under amendments to the Social Security Act currently proposed by H.R. 11865. The proposed effective date of the retirement income provisions, November 1, 1964, is intended to insure timely relief as to the proposed social security increases. Otherwise, such increases could cause discontinuance or reduction of pension for as many as 100,000 persons presently on the rolls.

Section 12 of the bill contains a savings provision designed to preclude any adverse effect from amendment of the retirement income provision of section 1 upon persons receiving or entitled to receive pension under the new law on the day before November 1, 1964, the effective date of the amendment. It would allow application of the recoupment provision until such time as recoupment had been completed.

The five new exclusions proposed under section 1 of H.R. 1927 are: amounts equal to those paid by a veteran for the last illness and burial of his deceased spouse or child; profit realized from the disposition of real or personal property other than in the course of a business; payments received for discharge of jury duty or obligatory civic duties; payments of educational assistance allowance or special training allowance to war orphans under chapter 35 of title 38, United States Code; and payments of bonus or similar cash gratuity by any State based on service in the Armed Forces.

At present, profit from the sale of real or personal property is chargeable as income in determining pension eligibility. Profit from the sale of a home, however, is excluded if it is applied within a prescribed time to purchase of another home. Section 1 would expand this exclusion to exclude profit realized from the sale of any real or personal property other than in the course of a business. The sale of real or personal property accomplishes a conversion of assets to a liquid form constituting income as well as a part of the corpus of the claimant's estate.

Payments received for service as a juror or for other obligatory civic duties are currently chargeable as income. Such payments are available for support to the same extent as any other income, and their exclusion would not be consistent with the principle of need on which the pension programs are based.

While bonuses and similar cash gratuities were excluded in computation of pension under the old law, the Congress intentionally discontinued the exclusion under the new law, consistent with its design to provide pension under more effective and realistic tests of need. Payments of bonus represent money available for support to the same extent as other income and thus their exclusion would not be consistent with the need concept.

Benefits under the war orphans educational assistance program, which would be excluded under the bill, are substantial. They are intended to meet, in part, the child's subsistence. Similarly, pension is intended as a measure of support. Therefore, counting that portion of the educational allowance which is in excess of amounts expended for training, as income for pension purposes, seems consistent with the intent of the law.

Section 2 of H.R. 1927 would eliminate the requirement of the submission of annual income questionnaires by children beneficiaries. Under the existing program each pensioner must submit a report annually respecting income and corpus of estate. For children this requirement is generally unnecessary because of fixed income and assets; and consequently results in unwarranted administrative work and detail. This does not mean that appropriate evidence to establish original or continued entitlement of a child may not be required. It merely would permit the Administrator to eliminate certain paperwork.

Section 3 would permit the payment of pension to otherwise eligible veterans 65 years of age or older without any requirement of disability and related unemployability. Elimination of these factors would, in essence, convert the program to one of a service pension in the case of these individuals. As such it would be definitely inconsistent with the non-service-connected disability requirement inherent in the pension programs for veterans of World War I and later wars, and would establish a dangerous precedent.

Section 4 would increase certain of the monthly pension rates and realine the annual income categories. It would grant a small increase in the rates of the most needy groups; namely, those in the lowest income category. The realignment of the annual income categories still retains the current maximums of \$1,800 and \$3,000, depending on family status.

Section 5 would increase the aid and attendance pension allowance from \$70 to \$100 per month. This increase presumably is in line with the concept of helping those whose need is greatest, considering that these individuals present a special problem because of their helpless condition.

Section 6 proposes a new special pension allowance for veterans who are housebound, similar to the housebound allowance now provided in payment of service-connected disability compensation. The special rate of \$35 monthly would be added to the basic rate to which the veteran is otherwise entitled. Presumably, the needs of the housebound veteran are somewhat greater than the average pensioner but less than those of the helpless pensioner. The proposal for a new rate recognizes such a distinction and is designed to close the gap between the two extremes.

Section 7 would amend the existing requirement on spouse's income. Currently, all income of the spouse reasonably available to the veteran is considered his income with the exception of \$1,200. The proposed amendment would exclude all earned income of a spouse or \$1,200, whichever is the greater. This proposal conflicts with the need theory by excluding income which is reasonably available to the veteran.

Section 8 would liberalize the standard relating to termination of the aid and attendance pension allowance of veterans hospitalized by the Veterans' Administration. Currently, this allowance is discontinued upon admission. We have found this works a hardship in many instances, where a veteran enters the hospital for checkups and short periods of treatment. Also, the prospective loss of such allowance can act as a deterrent to the seeking of necessary short-term treatment. The section would provide that the aid and attendance pension allowance of a veteran shall not be discontinued until the first day of the second calendar month after the date of admission to hospitalization, and would accomplish uniformity by application of the same standard to certain compensation cases.

We wish to point out that an identical provision to section 8 is included as section 5 of H.R. 8009, a bill providing nursing home care for certain veterans, among other things. In our report of March 9, 1964, to the Senate Committee on Labor and Public Welfare, we recommended enactment of this section. The bill was passed by the Congress and approved by the President on August 10, 1964 (Public Law 88-450). Accordingly, there is now no need for enactment of section 8 of H.R. 1927. It should be deleted and succeeding sections renumbered in the event the bill is favorably considered.

Section 9 would authorize the furnishing by Veterans' Administration of drugs and medicines prescribed by duly licensed physicians as specific therapy in the treatment of a non-service-connected condition suffered by a veteran of World War I, World War II, or the Korean conflict who is receiving the increased pension for aid and attendance under the new pension program. This would result in a significant expansion of our outpatient medical program.

Generally, the outpatient program is limited to medical treatment for service-connected disorders. An exception was created by a 1960 enactment (Public Law 86-639) authorizing medical services to prepare a veteran for hospitalization and a limited measure of posthospital treatment to round out an episode of hospitalization for a condition not incurred in service. The aforementioned H.R. 8009, recently approved by the President, authorizes among other things (1) the furnishing of therapeutic and rehabilitative devices and medical supplies, other than medicines, for aid and attendance pensioners who are eligible for an invalid lift, and (2) provision of outpatient services on a continuing basis for aid and attendance pensioners having certain chronic diseases who have received posthospital treatment for at least a year.

Another step would be taken under section 9 of H.R. 1927 in providing outpatient care for disabilities not related to service. Though restricted to furnishing medicines and drugs on the basis of prescriptions by licensed physicians, this section opens the door to demands that the Government also assume the responsibility for treating these veterans as the need arises and extending this benefit to other groups. This proposal poses a real question as to how far the Government is prepared to go in granting medical services on a permanent basis for those whose disabilities originated in civilian life.

As a technical matter, we note that section 9 would add a subsection (g) to section 612 of title 38, United States Code. In the event of favorable consideration, this should be redesignated "(h)" since a new subsection (g), unrelated to the particular provision of this bill, was added to section 612 by the recently enacted H.R. 8009.

Section 10 is a technical clarifying amendment to a section of the law prohibiting payment of duplicate benefits. Sections 11 and 12 have been discussed, above.

The cost of H.R. 1927 for that part of the fiscal year from January 1 through June 30, 1965, if enacted, is estimated to be \$43,880,590. The estimated costs for the four following fiscal years are:

Fiscal year:	
1966	\$72,619,530
1967	97,341,610
1968	106,002,745
1969	111,437,400

The bill reflects a selection of items from a multitude of 88th Congress pension proposals. As reported by the House Committee on Veterans' Affairs, they are incorporated in H.R. 1927, the original American Legion sponsored legislation as introduced and bearing that number in the 88th Congress. This was accomplished by striking out all after the enacting clause and inserting the present provisions. The bill is not a legislative program item of the administration. I do not favor its enactment.

If it is the intent of Congress to increase pension benefits for veterans of World War I, World War II, and the Korean conflict, and their widows and children, I suggest increases in line with the increase in the cost of living since the date of enactment of the Veterans' Pension Act of 1959. Increases should be greatest for those persons with the most need and the more severely disabled veterans. Attached is a draft of proposed amendments to H.R. 1927 which would effectuate increases along the lines of the foregoing, if enacted, and would retain the proposed 10-percent exclusion of retirement income. Also, this draft retains the provisions in the bill relating to annual reports for children and duplicate payments.

The Bureau of the Budget has advised that from the standpoint of the administration's program there is no objection to the submission of this report.

Sincerely,

J. S. GLEASON, Jr., *Administrator.*

PROPOSED AMENDMENTS TO H.R. 1927, AS AMENDED

(a) In section 1, strike out all after "equal to his contributions thereto" and insert in lieu thereof a period.

(b) Strike out sections 3, 7, 8, and 9; and redesignate sections 4, 10, 11, and 12 as sections 8, 7, 8, and 9, respectively.

(c) The tables in subsections (a), (b), (c), and (d) of redesignated section 3 are amended, respectively, to read as follows:

VETERANS WITHOUT DEPENDENTS

"Column I		Column II
Annual income		
More than--	but	Equal to or less than--
\$600		\$100
1,200		75
	\$600	43"
	1,200	
	1,800	

VETERANS WITH DEPENDENTS

"Column I		Column II	Column III	Column IV
Annual income				
More than--		One dependent	Two dependents	Three or more dependents
	but			
	Equal to or less than--			
\$1,000	\$1,000	\$105	\$110	\$115
2,000	2,000	80	80	80
2,000	3,000	48	48	48"

WIDOWS WITHOUT DEPENDENTS

"Column I		Column II
Annual income		
More than--	but	Equal to or less than--
\$600		\$64
1,200		48
	\$600	27"
	1,200	
	1,800	

WIDOW WITH ONE DEPENDENT

"Column I		Column II
Annual income		
More than--	but	Equal to or less than--
\$1,000	\$1,000	\$80
2,000	2,000	04
	3,000	43"

(d) Insert as section 4 the following:

"SEC. 4. Section 542(a), title 38, United States Code, is amended by striking out '\$35' and inserting in lieu thereof '\$38'."

Summary of cost of H.R. 1927, if amended as proposed

Fiscal year 1965 (assuming act to take effect Jan. 1, 1965)-----	\$42,700,000
Fiscal year 1966-----	70,389,000
Fiscal year 1967-----	108,422,000
Fiscal year 1968-----	122,770,000
Fiscal year 1969-----	132,192,000

Mr. GLEASON. I, and members of my staff, will be happy to answer any questions of the members of the committee.

The CHAIRMAN. Any questions?

Senator GORE. I have a question, Senator.

The CHAIRMAN. Senator Gore?

Senator GORE. Do you support the bill or oppose the bill?

Mr. GLEASON. Mr. Chairman, I believe Mr. Hughes of the Bureau of the Budget will have remarks to make on that when he is heard by the committee, sir.

Senator GORE. You have no position?

Mr. GLEASON. No, sir; because we really have not had time to study the bill as presented. We did not receive it until about 5:30 to a quarter to six Monday evening, Senator, and we have not had time to fully analyze it.

Senator GORE. Well, you have had time to write a long statement about the bill. It is a little hard for me to understand why one in your position could not make up his mind as to whether he is for it or against it. I would not determine your position from your statement.

If you do not know whether you are for or against it, of course, you cannot say.

The CHAIRMAN. How long was this bill before the House?

Mr. GLEASON. This bill, sir, I really could not say how long it was before the House. About 2 weeks is about all, Senator.

The CHAIRMAN. I am surprised you are not familiar with its provisions.

Mr. GLEASON. We are familiar with it, Senator, but in analyzing a reply to your specific questions, we do not have the answers to them as yet.

The CHAIRMAN. Did you oppose it or favor it in the House?

Mr. GLEASON. We were not asked to comment on that, Senator. We were not asked to comment whether we favored it or not.

Senator WILLIAMS. You are being asked now. What is your position?

Mr. GLEASON. To my knowledge, sir, I believe this is not in the administration's favor.

Senator WILLIAMS. Then you are opposed to it, is that correct?

Mr. GLEASON. I would say that Mr. Hughes would have a more direct answer to that at a later time, insofar as the administration is concerned, sir.

Senator WILLIAMS. What position does Mr. Hughes hold with the Government?

Mr. GLEASON. He is with the Bureau of the Budget, sir.

Senator WILLIAMS. That is what I thought.

What is your position?

Mr. GLEASON. Administrator of Veterans' Affairs.

Senator WILLIAMS. I am asking you, as Administrator of Veterans' Affairs—which will administer this program—what is your position on this bill?

Mr. GLEASON. As Administrator of Veterans' Affairs, I am in support of the administration's position.

Senator WILLIAMS. What is the administration's position, sir?

Mr. GLEASON. I believe, sir, it would not favor it.

Senator BENNETT. Would the Senator yield?

Senator WILLIAMS. Sure.

Senator BENNETT. I believe on pages 9 to 12 of the House report, there is printed a letter signed by an Associate Deputy Administrator of the Veterans' Administration, A. H. Monk, for and in the absence of J. S. Gleason, the Administrator, from which many of the sentences you have in your statement here today have been taken. I have been trying to read the two simultaneously.

Mr. GLEASON. Yes, sir.

Senator BENNETT. Do I understand that the bill was completely rewritten after it was introduced in the House?

Mr. GLEASON. To my knowledge, Senator, many of the provisions of that particular bill have been rewritten.

Senator BENNETT. Because Mr. Monk says this:

For the reasons indicated, I recommend that H.R. 33, H.R. 1927, which is before us, and H.R. 2332, be not favorably considered.

Mr. GLEASON. Senator, if I might say, sir, to my knowledge, everything in H.R. 1927, as was before the committee at the time you mentioned, was struck out except the enacting clause.

That particular bill, Senator, that we were commenting on at the time, would cost a total of about \$790 million the first year.

Senator BENNETT. You opposed that particular bill?

Mr. GLEASON. Yes, sir; we did.

Senator WILLIAMS. And you do not know where you stand on this particular bill?

Mr. GLEASON. Not formally, Senator.

Senator WILLIAMS. How about informally?

Mr. GLEASON. As I mentioned, Senator, as Administrator of Veterans' Affairs, I support what I believe would be the administration's viewpoint.

Senator WILLIAMS. And the administration is wobbling.

Mr. GLEASON. This I could not say, but Mr. Hughes might be able to give some enlightenment to this.

Senator WILLIAMS. It was my understanding that President Kennedy had recommended legislative enactment of this, is that correct?

Mr. GLEASON. Not formally, Senator.

The CHAIRMAN. What do you mean "not formally?"

Mr. GLEASON. He had not proposed it to the Congress, Senator.

Senator WILLIAMS. Do you mean he had used it in his campaign speeches and recommended it but had not recommended it to the Congress?

Mr. GLEASON. No, sir; it had been discussed informally.

Senator BENNETT. With whom?

Mr. GLEASON. With myself, with Chairman Olin Teague, of the House Veterans' Affairs Committee, and with Mr. Lawrence O'Brien, of the President's staff.

Senator WILLIAMS. And in that discussion he was favorable to the proposal, is that correct?

Mr. GLEASON. He was favorable to a proposal somewhat similar to this, Senator, but you must recall, sir, that at that particular time, he was under great pressures because of a discharge petition in the

House of Representatives that would have cost probably a billion dollars a year. I think circumstances may have changed now and altered it.

Senator BENNETT. Did Mr. Teague introduce H.R. 1927?

Mr. GLEASON. I believe he did, at the request or—no, I am sorry, Mr. Driver informs me that it was Congressman Libonati that introduced it.

Senator MORTON. That is the H.R. 1927 that would have cost about \$700 million?

Mr. GLEASON. \$780 to \$790 million, sir.

Senator MORTON. And the Veterans' Affairs Committee took that bill as a vehicle, struck everything after the enacting clause, and substituted the bill which unanimously passed the House which is now before us.

Mr. GLEASON. That is correct, Senator.

Senator MORTON. As you have pointed out, and I think it was the closing days of the Congress before the tragic assassination of President Kennedy, that there was pressure on the administration, because of the danger of a discharge petition bringing a bill to the floor of the House, which would have cost, as you point out, somewhere in the neighborhood of a billion dollars a year.

Mr. GLEASON. Yes, sir.

Senator MORTON. It is my impression that the House leadership and Chairman Teague indicated that a bill that did most for those who needed most, those with the lowest incomes or those with health problems, could be devised in the general area of cost as indicated in this bill, and that that seemed to be administration policy to pursue a course along a modest bill for the most need.

This was one way that the discharge petition was stopped, is that not true?

Mr. GLEASON. This helped immeasurably to do so, Senator.

Senator MORTON. But now we face a situation where the discharge petition is out of the way for the moment and so today, you indicate, and I shall not press you—I will wait until Mr. Hughes testifies—but perhaps the administration is going to find it necessary in its program to oppose H.R. 1927 as revised in this more modest area.

Mr. GLEASON. That is correct, sir.

I would like to say, Senator, myself, I have always believed in a cost-of-living increase for anyone, whether they were an employee in a corporation or in Government or anywhere else, sir.

Senator MORTON. I want to thank you, Mr. Gleason, for your very, very generous note which I received this morning on the occasion of my natal anniversary.

Mr. GLEASON. I am happy to once again offer congratulations.

Senator MORTON. You commented on the fact that I have always been a friend of the veteran, and I am sure you have, and I can sympathize with the bind in which you find yourself at present.

Senator BENNETT. Shall we give the veterans a birthday present in your honor today?

The CHAIRMAN. Any further questions?

Senator GORE. I had not concluded, Mr. Chairman, although I appreciate all the assistance I have had.

Senator MORTON. I thank the Senator for yielding.

Senator GORE. You just said to Senator Morton that personally you had always favored cost of living increases.

Does that apply to your personal attitude toward the veterans compensation?

Mr. GLEASON. Well, sir, before I came to Government I was in the banking business, and our employees always received a cost of living increase as costs went up.

I think the pay raise that the Congress has voted its employees and Government did likewise.

I think it is up to the will of the Congress as to what they do for the veteran, especially the pensioner and the widow.

Senator GORE. I am not going to press you at all, Mr. Gleason. Obviously, you are not in a position to take a position before this committee as Administrator of Veterans' Affairs.

I hope this comment will not be disagreeable to you. I am one who has not yet come to the conclusion that the Bureau of the Budget is the chief administrator of all the Government.

It seems to me that one holding your position should be able to advise the committee rather than some individual whom I do not know from the Bureau of the Budget.

I know that we passed a tax bill cutting the revenue of the Government by \$11 billion per year. Perhaps that has made it a little difficult to do justice to disabled veterans. But we shall hear more from the Bureau of the Budget.

The CHAIRMAN. Any further questions?

Senator TALMADGE. Mr. Chairman.

Mr. Gleason, I notice in a letter from the Veterans' Administration, Office of the General Counsel, dated August 3, 1964, the cost projections beginning in 1965 is estimated to be \$43,880,590, and then that increases through 1959, at which time the cost projection is \$111,437,400.

Mr. GLEASON. Yes, sir.

Senator TALMADGE. Do you have a cost projection running into the future beyond that date?

Mr. GLEASON. We will have when we have the opportunity to reply to the chairman's request.

Senator TALMADGE. Will you please prepare that for insertion into the record?

Mr. GLEASON. Yes, sir.

Well, you understand, Senator, that that \$43 million is just for a half year, from January through June of 1965.

Senator TALMADGE. Thank you very much.

I would like to see the total cost as far as you can estimate it into the future.

Mr. GLEASON. All right, sir.

Senator TALMADGE. While this does give it for some 4½ years, it does not look beyond that point.

(The projection requested appears below :)

H.R. 1927, 88th Cong., estimate of total cost for year 1965 through 2000

Fiscal year	Cost in the year	Cost at 5-year periods	Cumulative costs at stated years
Single years, Jan. 1 to June 30:			
1965 ¹	\$43,880,590	-----	\$43,880,590
1966.....	72,619,530	-----	116,500,120
1967.....	97,341,610	-----	213,841,730
1968.....	106,002,745	-----	319,844,475
1969.....	111,437,400	-----	431,281,875
1970.....	122,771,107	-----	554,052,982
5-year periods:			
1975.....	91,383,085	\$519,691,469	1,073,744,451
1980.....	-42,001,359	56,762,093	1,130,506,544
1985.....	-226,396,600	-763,192,518	367,314,026
1990.....	-404,227,005	-1,665,474,215	-1,298,160,189
1995.....	-139,304,860	-1,226,368,590	-2,524,528,779
2000.....	149,708,470	170,515,690	-2,354,013,089

¹ Amounts shown represent $\frac{1}{2}$ of what would be the annual cost in fiscal year 1965 inasmuch as estimate assumes effective date of legislation as Jan. 1, 1965.

NOTE.—All figures are net after deduction of savings which would result from substitution of 10-percent exclusion of retirement income for present recoupment provision. Minus signs represent net savings in the years indicated.

The CHAIRMAN. Senator Bennett?

Senator BENNETT. I have no further questions.

The CHAIRMAN. Senator Morton?

Senator MORTON. Mr. Gleason, I understand that there is a letter here from the Bureau of the Budget commenting on this, in objection to the bill, but I shall not get into that with you.

But they do make this point. They express concern that the elimination of the 10-percent disability requirement at age 65 and the unemployability requirement will be a costly change and would create immediate eligibility for about 150,000 to 175,000 additional veterans.

Has your agency made any study—are those figures predicated upon a study made in your agency?

Mr. GLEASON. Yes, sir; and we do not think there can be any significant cost effected by the disability requirement and the unemployability requirement.

The most recent study for the House, by the Veterans' Administration, of all claims adjudicated for this year, calendar year 1964, during that month 38,000 pension claims were adjudicated and 10,000 were denied for all reasons—lack of requisite service, excessive income, lack of sufficient disability, et cetera. And of the 10,000 denials, Senator, only 5 were based on lack of 10 percent disability at age 65, and only 60 because the veteran was employable despite his disability.

Therefore, the disability and unemployability requirement at age 65 accounted for less than 1 percent of the denials of pension and affects less than two-tenths of 1 percent of the pension claims filed.

Now, projected on an annual basis, the benefit cost would not exceed \$500,000 were this requirement eliminated.

Our administrative expenses, in examining and rating 65-year-old pension claimants, exceeds that \$500,000 each year.

In the 1963 report, the President's Council on the Aging found that 80 percent of the aged had chronic incapacitating disabilities such as arthritis, diabetes, mental disorders, and cardiovascular diseases. These would ordinarily be evaluated considerably in excess of 10 percent.

Now, other common diseases of age such as deafness, visual defects, and arteriosclerosis meet the 10-percent requirements of our rating schedule.

I feel it is more reasonable to say there is a substantial number of potentially eligible veterans who could qualify today should they file claim, but either through lack of information, sheer inertia, or reluctance to accept Federal moneys, they do not come to us for pension.

Senator MORRIS. Thank you for that statement.

I have now found the quote from the letter signed by Mr. Gordon, Director of the Bureau of the Budget, addressed to the chairman of this committee, on August 13 of this year.

(The letter referred to was inserted in the record by the chairman at the beginning of the hearing.)

So that the record may be complete, I shall read a few sentences from it and I think that your statement just delivered is very responsive and certainly, I think, pulls the rug from under this statement from the Bureau of the Budget:

It is estimated that about 150,000 to 175,000 additional veterans over age 65 would become immediately eligible for pensions if income were left as the only bar, and tens of thousands more could find it advantageous to leave or reduce their employment in order to reduce their income so that they could claim a veteran's pension. In these groups, if only 100,000 in these groups should apply for and receive an average annual pension of \$700, it would cost \$70 million a year.

The statement that you have just given I think clearly refutes that hypothesis that has been set up in the letter from the Bureau of the Budget.

Now, Mr. Gleason, we passed out of this committee, the other day, the so-called Social Security Act of 1964. We did put language into that bill, not knowing what the fate of this bill would be, to take care of this problem where certain veterans pensions are lost by virtue of the 5-percent increase in social security benefits.

Did you have a chance to examine the amendment?

Mr. GLEASON. Yes, sir; when I heard about this the other day, Senator, I tried to foresee that maybe this might come up. So I do have a reply to that.

This is the way that I see it as of now. Senator Prouty's amendment would affect only those pension recipients who are both entitled to receive social security and entitled to receive VA pension on the effective date of the social security increase under the current pension system from any reduction because of the social security increase.

It would do this by not counting as income the amount of the social security increase. The effect is limited only to present Public Law 86-211 pension cases and would not protect those who are on the protected pension rolls from loss.

We estimate about 37,000 cases in this category would be adversely affected, nor would it protect those who have not yet qualified for either social security or VA pension when the social security increase becomes effective.

Its relief is confined, as I pointed out, to this single group of recipients who would have no beneficial effect with regard to future social security increases.

The 10-percent recoupment substitute in H.R. 1927 would affect all those in receipt of pension both under Public Law 86-211 and the protected pension law.

It would protect from loss those now on the rolls as well as those who may qualify in the future. Its effect is not limited to this current proposed increase and it would be equally applicable to future increases.

The provision in H.R. 1927 would be very easy to administer by a simple mathematical computation on the annual income questionnaires submitted.

The Prouty amendment would be extremely difficult to administer, since it would require manual review—manual—of about 1¼ million claim folders each year and would inhibit our ability to move in the direction of processing income questionnaires through a centralized computer operation.

The Prouty amendment sets up a special category for income exclusion, while the provision in H.R. 1927 would treat all like sources of income similarly.

Now, that is how we see it as of now, Senator.

Senator MORRON. I did not realize, and I am sure Senator Prouty did not, the difficulty you would have in administering this, this manual examination of these folders.

But he adds two parts. The second was that you, as Administrator, would recommend for the next session of Congress a permanent way of dealing with this problem which can, as you point out, arise in the future.

I would like to confer with someone on your staff—this bill has not come before the Senate yet—and work with Mr. Prouty and see, regardless of the fate of H.R. 1927, if we cannot get this thing solved. I think the Senate wants to solve it—I know the Finance Committee did and was unanimous—so you can administer it and it does not become a problem every time we change social security benefits.

If you will have someone from your legal department contact me, we will try to work that out, and I am sure we can get Senator Prouty's cooperation, because we are seeking the same end.

Thank you very much, sir.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator McCarthy?

Senator McCARTHY. Mr. Chairman, this question may have been asked. Some people associated with the veterans organizations have indicated to me that, at the time President Kennedy was still alive, it was indicated that a program of this kind had the approval of the White House.

Mr. GLEASON. May I interrupt?

Senator Williams has already asked this question.

Senator McCARTHY. I see.

Mr. GLEASON. I believe, sir—

Senator McCARTHY. What was the answer?

Mr. GLEASON. Would the clerk be good enough to read it back?

Senator McCARTHY. It must have been a subtle answer. If the question is in the record, your answer is.

Mr. GLEASON. It was discussed with President Kennedy; yes, sir. Senator McCARTHY. That answers the question.

The CHAIRMAN. Senator Dirksen?

Senator DIRKSEN. No questions.

The CHAIRMAN. Thank you very much, Mr. Gleason.

As I understand it, you will submit some further data to the committee?

Mr. GLEASON. Yes, sir; we shall answer your request for a report in detail, Senator.

The CHAIRMAN. About what time will that be?

Mr. GLEASON. I would hope to have it by the end of this week, Senator.

The CHAIRMAN. The committee will, of course, take no action until in receipt of your supplemental report.

Mr. GLEASON. All right, sir.

Thank you for your courtesy.

The CHAIRMAN. The next witness is Mr. Phillip S. Hughes, of the Bureau of the Budget.

STATEMENT OF PHILLIP S. HUGHES, ASSISTANT DIRECTOR FOR LEGISLATIVE REFERENCE, BUREAU OF THE BUDGET

Mr. HUGHES. Mr. Chairman, and members of the committee, I appreciate this opportunity to appear before the committee this morning on behalf of the Budget Bureau to express the administration's views on H.R. 1927. I will not attempt to express our position in as much detail as did the Director's letter of August 13 to the committee. Rather, I would like to comment on certain sections of the bill which we believe to be of particular significance.

We would appreciate it, Mr. Chairman, however, if that letter could be made a part of the record of the hearing.

The CHAIRMAN. It was inserted in the record at the beginning of the hearing.

Mr. HUGHES. In brief, the bill would accomplish a number of far-reaching changes in policies governing the payment of pensions to non-service-connected veterans and their survivors. (1) It would entirely eliminate, for veterans over age 65, the longstanding 10-percent disability requirement and would eliminate, also for this group, the related requirement that the veteran be unemployable because of the disability. (2) It would increase benefit rates by \$5 and \$10 for veterans in the lowest income brackets, and, through adjustments in income limitations, would increase rates payable to some other veterans with higher incomes much more substantially, while adjusting other rates not at all. (3) It would authorize a number of significant exemptions from income to be counted in determining pension eligibility. The bill also would provide drugs and medicine to aid-and-attendance cases, increase payment rates for these cases, and accomplish a number of other changes, but I will concentrate in this brief statement on the three points enumerated above which we regard as most significant. As a consequence of the changes it would make, the present cost of the bill is substantial and its cost will increase over the years as the veteran population ages.

First, with regard to the elimination of the disability and unemployability requirements, the basic and longstanding principle of the veterans' pension system has been that pensions should be based on need. Under the Veterans' Pension Act of 1959—enacted after long and careful study by the Congress—as well as under prior pension legislation, need is demonstrated by three tests: The veteran must be disabled; his disability must prevent his employment; and his annual income must be below specified amounts.

Through eliminating the disability and unemployability tests, H.R. 1927 seriously undermines the need principle. Estimates of the effects of eliminating the disability and unemployability tests are certainly speculative, but we believe this is to be one of the more far reaching and more costly of the changes proposed. It is estimated that about 150,000 to 175,000 additional veterans over age 65 would become immediately eligible if these tests were eliminated and income were left as the only bar. Tens of thousands more would find it advantageous to leave or reduce their employment in order to reduce their incomes so that they would be eligible for a veteran's pension. If only 100,000 of these groups should apply for and receive an average annual pension of \$700, it would cost \$70 million the first year. Costs in future years would mount.

I might interpolate, Mr. Chairman, in regard to Senator Morton's comments, we recognize the difficulty of estimating in this area and we are not, as you observed, in agreement with the Veterans' Administration. The problem here is to estimate the effect of removing the disability and unemployability bars on the large number of veterans who have not heretofore applied for pension, assuming ineligibility on their part. This is a very difficult thing.

Second H.R. 1927 would provide proportionately greater pension increases for many whose need is less and would not adjust other rates at all. For example:

Single veterans with \$1,201 to \$1,300 of other income a year will have their \$40 monthly pension raised by \$30; other single veterans with income ranging from \$801 to \$1,800 will receive no pension adjustment;

Married veterans with other income of \$2,001 to \$2,200 will have their pension increased by \$30; other married veterans with incomes ranging from \$1,201 to \$3,000 will receive no pension adjustment;

A single veteran with no income except his \$85 monthly pension will receive only \$5 more; and

A married veteran with three children and no income except his \$100 monthly pension will receive \$10 more. This veteran's total income will be only \$1,320 as compared to \$2,140 for the single veteran in the first example.

We do not believe this pattern of adjustment is consistent with sound and historic concepts of need and eligibility.

Third, we believe the income exclusions established by H.R. 1927 constitute a wide departure from sound veterans' pension concepts. Like some of the rate adjustments, these income exclusions would also give greater benefits to those with larger incomes. For example, all of the spouse's earned income would now be excluded from family

income limitations. This would permit a veteran to receive a \$1,200 pension regardless of his wife's earnings. Exclusion of profits from the sale of property is another example of a change favoring the veteran already better off. This committee, in its report on the Veterans' Pension Act of 1959, commenting on the waiver of income, stated that:

There is no justification in the opinion of both the House and Senate committees for establishing income limitations in the law so as to provide a test of need for qualifying for pension and at the same time permitting beneficiaries to create their own need so as to qualify for the benefit.

We believe this same reasoning is applicable generally in the matter of income exclusion.

With regard to recoupment the committee stated:

Recoupment has a particularly undesirable effect as it creates in many instances a fictitious entitlement to pension for * * * the period of recoupment. Individuals having no real need and enjoying a comfortable retirement income may be granted a pension which they do not need for adequate maintenance during the period required to recover their contributions to the retirement fund.

H.R. 1927 substitutes for the present recoupment provisions an exemption from the income limitations of 10 percent of the income received from private or public retirement or income support programs. While not subject to the same degree of criticism as the present recoupment provisions, we regard the substitute as unsatisfactory also. It provides the greater exemption to the individual who has the larger retirement or other income support and hence has the lesser need for preferential treatment. Beyond this, veterans who have already recouped will be enabled to recoup a second time, and this time the exemption can be taken against all retirement income and regardless of the size of the individual's contributions. Much of the concern with recoupment appears to stem from the pending adjustments in OASDI. We recommend in our report an alternative approach to dealing with OASDI increases which we believe far preferable.

We believe that all such income, including that exempted under existing law, should be counted under the VA pension income limitations, because it is income available for living expenses. Exempting a flat portion of income from consideration in determining "need" for veterans' non-service-connected pensions opens the door for further exemptions which will still further undercut the whole need concept.

Finally, with regard to costs, we believe the \$72 million estimate for 1966 is likely to be low. We believe that more new cases will be added to the rolls than are reflected in the \$72 million estimate. As indicated above, we believe, too, that the costs of the proposed elimination of the disability and unemployability tests, although speculative, will be substantial.

In summary and for the reasons outlined above, enactment of H.R. 1927 would be inconsistent with the objectives of the administration, and the Bureau of the Budget is opposed to it.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Hughes.

Senator Gore?

Senator GORE. Do you speak for the President in this regard?

Mr. HUGHES. I am speaking for the administration, sir. I have not discussed this with the President. My testimony is, I think, in its en-

tirety, consistent with the Director of the Budget's letter which also spoke of the administration's position.

Senator GORE. "The administration" is sort of an abstract term. The Bureau of the Budget operates under the direction of the President, does it not?

Mr. HUGHES. Yes, sir.

Senator GORE. So, when you say you speak for the administration, I take it you speak for President Johnson?

Mr. HUGHES. I would certainly assume that the President is aware of what is being said, yes, sir.

The CHAIRMAN. Senator Williams?

Senator WILLIAMS. Mr. Hughes, I notice you say that you think the \$72 million estimate is low. What would you estimate the cost to be?

Mr. HUGHES. In our judgment, Senator, and we intend to work further with the Veterans' Administration on this, the more likely first full year cost of the proposal is in excess of \$100 million, perhaps \$125 million.

Senator WILLIAMS. Do you not think that the budget could afford that increase?

Mr. HUGHES. I think the budget, Senator, is a matter of choices among the objects for expenditure available, and this budget did not make provision for this, either \$72 or \$125 million.

Senator WILLIAMS. You do not think that the need of these veterans is meritorious enough to justify the expenditures?

Mr. HUGHES. No, sir; we have not thought so.

Senator WILLIAMS. How much was involved in the recent salary increases for all public officials, including yours and mine?

Mr. HUGHES. In round numbers, Senator, half a billion dollars.

Senator WILLIAMS. Around \$700 million, or close to that?

Mr. HUGHES. I think that includes the military. I am not sure of the exact figure.

Senator WILLIAMS. Did the Bureau of the Budget recommend the enactment of that?

Mr. HUGHES. Yes, sir.

Senator WILLIAMS. And how much is involved in the cost of the social security bill?

Mr. HUGHES. I am not familiar with that, Senator.

Senator WILLIAMS. It is around a billion and a half, is it not?

Mr. HUGHES. I would accept that figure. I do not know. That is out of the trust fund, but not out of the budget.

Senator WILLIAMS. It still costs the taxpayers?

Mr. HUGHES. Yes, sir.

Senator WILLIAMS. The Bureau of the Budget was in favor of that?

Mr. HUGHES. No, sir; I do not think so.

Senator WILLIAMS. Are you opposed to it?

Mr. HUGHES. I don't believe we are opposed to it. I do not believe we have commented on it.

Senator WILLIAMS. Yes, sir; you have commented on it. I thought you told the committee you were for it.

Mr. HUGHES. I do not believe the Budget Bureau has commented on it, but I will check it.

Senator WILLIAMS. Then you are being asked right now. I directed the question to Mr. Celebrezze, and we gave him a 10-minute recess to find his position. Finally he said, "Yes," he was for it and indicated he was speaking for the administration.

I am asking you directly, now, for a comment on the recent social security bill which was passed by the House and reported by this committee on Monday.

Is the Budget Bureau, the administration, for or against the enactment of that bill?

Mr. HUGHES. If Secretary Celebrezze said the administration is for it, I would certainly assume that the administration is for it and if the administration is for it, then the Budget Bureau is.

Senator WILLIAMS. That is a roundabout answer, and I am asking you directly, Mr. Hughes, because Mr. Celebrezze seemed to be very much at a loss as to his position and said he regretted he was put in the position of having to take a stand.

I have never seen so many reluctant administration officials that hesitate to take a stand. But I want to know. This is important because this bill is coming before the Senate. Is the administration for or against that bill?

Mr. HUGHES. I will have to—

Senator WILLIAMS. The social security bill.

Mr. HUGHES. I will get you an answer for that from the Budget Bureau, Senator. I am not prepared to answer it now. The Budget Bureau has not heretofore proposed legislation of that sort.

Senator WILLIAMS. Will you give this committee a letter taking a clear-cut position either endorsing it or opposing it?

Mr. HUGHES. I surely will.

(The letter subsequently submitted by Mr. Hughes follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington, D.O., August 20, 1964.

Hon. HARRY F. BYRD,
Chairman, Committee on Finance,
U.S. Senate,
New Senate Office Building, Washington, D.O.

DEAR MR. CHAIRMAN: During the course of my testimony before your committee yesterday on H.R. 1927, a question arose as to whether the Bureau of the Budget had expressed views on the social security benefit increase bill, H.R. 11805. On investigation I find that, as I indicated, the Bureau has not heretofore commented on the bill. As Senator Williams indicated, however, Secretary Celebrezze, both in testimony and in a report, has commented on behalf of the administration. We concur in the Secretary's views as expressed in the following excerpts from the Department of Health, Education, and Welfare report to your committee on the House-passed version of H.R. 11805:

"We believe that the best way to remedy [the] major deficiency of H.R. 11805 is to add hospital insurance for the aged, as proposed in S. 880, the King-Anderson bill * * *.

"* * * the cash benefit increases of H.R. 11805 plus the provisions of the King-Anderson bill could be financed satisfactorily under either the method of the Gore amendment or by an increase in the contribution rate combined with an additional increase in the earnings base.

"As a second choice, if your committee is not prepared at this time to recommend increases in social security financing sufficient to provide both hospital insurance and the benefit increase and the other provisions of H.R. 11805, it would be possible, at substantially less cost, to make the hospital insurance available on an optional basis to aged beneficiaries who are willing to forgo a part of their monthly social security benefit in order to have hospital insurance * * *.

"While we believe the addition of the King-Anderson bill benefits to H.R. 11865 would be the best course to take, we could support an amendment of H.R. 11865 that would, on an equitable basis, permit the aged beneficiary to forgo a part of his cash benefit in order to receive social security hospital insurance."

We understand the Secretary made some additional comments in testimony before the committee, and we concur generally in these as well.

Sincerely yours,

PHILLIP S. HUGHES,
Assistant Director for Legislative Reference.

Senator WILLIAMS. I appreciate that.

Senator GORE. Will the Senator yield?

Senator WILLIAMS. Yes.

Senator GORE. I wonder if the Budget Bureau recommended the \$11 billion tax cut.

Mr. HUGHES. The Budget Bureau certainly supported the administration tax proposal; yes, sir.

Senator GORE. Thank you.

Senator WILLIAMS. I do not recall whether it was you testifying or whether it was your predecessor, Mr. Bell, but one of you boasted of the fact that this administration had been able to create deficits and said that they were planned deficits. Now, in planning these deficits as a part of the administration's program do I understand that it would be a disadvantage to let any of the money go to the veterans or do you think it is better to go in some other direction? You accept the fact that you did plan the deficits, do you not?

Mr. HUGHES. I certainly accept the fact that it is the administration's budget and that a deficit was forecast in that budget; yes, sir.

Senator WILLIAMS. These are not my words. Mr. Bell, I think it was, was the one testifying, as your predecessor, and he said that those deficits were planned deficits. Rather than apologizing for them he thought they represented a great achievement. He felt that there was merit in them. Do you disagree with them?

Mr. HUGHES. No, sir.

Senator WILLIAMS. Do you think that there is merit in deficits?

Mr. HUGHES. Not for their own sake. In the circumstances in which these deficits were incurred the administration, and the President, proposed them and felt that this was the meritorious, best choice for the Government to make.

Senator WILLIAMS. The deficits, as I recall these 4 years of this administration, have been \$28 billion?

Mr. HUGHES. Approximately.

Senator WILLIAMS. Approximately \$28 billion. And you still think that the enactment of this bill would be bad?

Mr. HUGHES. We have tried to deal with this bill on the merits, Senator, in terms of equities as we saw them, both as among veterans and between veterans and the rest of the population. We feel that the concept of need that has been inherent in the veterans' non-service-connected pension system is an important one and should be sustained and our comments here are generally in support of that position.

Senator WILLIAMS. I appreciate your position. I am not sure I always agree with it. I do not quite understand how the Budget Bureau can justify a 50-percent increase in the salary of members of the Cabinet and Members of Congress, which is your salary and mine, and at the same time object to a cost-of-living increase for disabled veterans.

Mr. HUGHES. First of all, with respect to veterans as a group, we feel the service connected should have first priority.

With respect to nonservice connected, if we were to propose an adjustment in non-service-connected pension rates, and we are not doing that, we would propose one structured differently than this, for the reasons I outlined in my statement.

Senator WILLIAMS. Thank you.

The CHAIRMAN. Senator Talmadge?

Senator TALMADGE. No questions.

The CHAIRMAN. Senator Curtis?

Senator CURTIS. How many veterans are 65 today?

Mr. HUGHES. The veteran population 65 and over is of the magnitude of 2,300,000.

Senator CURTIS. Who are now 65?

Mr. HUGHES. Yes, sir.

Senator CURTIS. Some of those will not be here a year or 5 years from now. What is your estimate of the number of veterans 65 years of age 5 years from now?

Mr. HUGHES. I am sorry I do not have an estimate. Generally speaking, the number 65 and over will increase very substantially from now until the turn of the century.

Senator CURTIS. Well now, I said 5 years from now.

Mr. HUGHES. Yes.

Senator CURTIS. How many veterans of World War II are going to be 65 in 5 years?

Mr. HUGHES. I don't have that—I can furnish that information for the record.

Senator CURTIS. Is there not quite a chance that your cost might go down each year for the next 5 years?

Mr. HUGHES. I believe, generally speaking, the veteran population 65 and over will increase fairly steadily from now until the turn of the century or thereafter. But I will confirm that and I will furnish a projection of the veteran population 65 years of age and over for the record.

Senator CURTIS. In 1965 it will be 20 years since the war ended, World War II.

Mr. HUGHES. Yes.

Senator CURTIS. The only ones that you would touch there would be those that were 45 when they were mustered out.

Mr. HUGHES. That is right.

Senator CURTIS. What I would like to know is when the 65-year population would start up? Not too high a portion of the World War II veterans were 45 when they mustered out.

Mr. HUGHES. I think the big growth in the population of 65 and over is 10, 15, 20 years off. There is no question about that.

Senator CURTIS. A great portion of World War I veterans are 65 now.

Mr. HUGHES. Yes, sir; that is correct.

Senator CURTIS. And that group will probably go down.

Mr. HUGHES. That is correct.

Senator CURTIS. That is all.

(The tabulation of veterans 65 and over subsequently provided by Mr. Hughes follows:)

Projection of living veterans of all wars in civil life, age 65 and over

		[In thousands]	
		65 and over	65 and over
1965	2,291	1983	4,272
1966	2,224	1984	4,687
1967	2,146	1985	5,104
1968	2,070	1986	5,605
1969	2,001	1987	6,107
1970	1,960	1988	6,609
1971	2,012	1989	7,111
1972	2,062	1990	7,612
1973	2,115	1991	7,848
1974	2,165	1992	8,085
1975	2,217	1993	8,319
1976	2,377	1994	8,556
1977	2,540	1995	8,792
1978	2,700	1996	8,712
1979	2,868	1997	8,638
1980	3,023	1998	8,563
1981	3,440	1999	8,474
1982	3,855	2000	8,394

NOTE.—Significant years derived from VA Research Monograph 6 which were based upon actuarial projections. The in-between years are mathematical interpolations.

The CHAIRMAN. Senator Morton?

Senator MORTON. Mr. Chairman, I have here an analysis of certain points made by letter addressed to you from the Bureau of the Budget with comments on the points made, and this was prepared in conjunction with the staff of the House committee. I think a lot of very valuable information is contained here and I would like to ask that this may be included in the record.

The CHAIRMAN. The Chair places in the record the letter he received from the chairman of the House Committee on Veterans' Affairs attached to which is the analysis to which you referred.

(The letter and enclosure follow:)

HOUSE OF REPRESENTATIVES,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, D.C., August 18, 1964.

Hon. HARRY FLOOD BYRD,
Chairman, Committee on Finance,
U.S. Senate,
Washington, D.C.

DEAR MR. CHAIRMAN: I am very pleased to learn that your committee has promptly scheduled hearings on H.R. 1927, the non-service-connected pension bill, and I hope that you will see fit to favorably report this bill.

I believe it is a modest bill. It is designed primarily to accomplish three purposes:

1. Raise rates for those veterans and widows in the very lowest income groups;
2. Provide additional assistance for those veterans with serious health problems such as those in need of aid and attendance and those who are housebound; and
3. Provide an equitable and workable solution to the problem which will be created by the proposed increase in social security rates.

I am most concerned about the opposition of the Bureau of the Budget. I have the letter dated August 13, 1964, addressed to you by the Bureau of the Budget

with reference to H.R. 1927. The arguments they have raised against the bill are so spurious, and in some instances, so completely inaccurate that I feel the Bureau's position should be reviewed.

In the attached statement I have quoted portions of the Bureau's letter and have followed these quotations with appropriate comment. If your hearing is recorded I would appreciate it if you will make this letter and the attached statement a part of the record.

With best wishes,
Sincerely yours,

OLIN E. TEAGUE, *Chairman.*

(NOTE.—All cost estimates in attached statement supplied by the Veterans' Administration.)

COMMENTS ON BUREAU OF THE BUDGET POSITION ON H.R. 1927

(Letter to the chairman dated August 13, 1964.)

Opposition of the Bureau of the Budget to the enactment of H.R. 1927 is directed principally to the areas of income exclusions, elimination of disability and unemployment requirement at age 65, changing of the income increment levels, and substitution of a 10-percent exclusion for the current total recoupment revision of law.

It is noteworthy that in a complicated bill comprising 12 different sections, the Bureau's opposition appears to be restricted to 4 of these sections. In our opinion the four sections about which the Bureau of the Budget expresses such great concern are of relative unimportance and affect less than 2 percent of the entire caseload.

The attached sheets state the Bureau's position in opposition to each of these provisions, with pertinent data and analyses responding to the Bureau's position.

ELIMINATION OF DISABILITY AND UNEMPLOYMENT REQUIREMENT AT AGE 65

Bureau of the Budget: "For those having the minimum of 90 days' service, this would leave only income as the test for entitlement to pension. Estimates of the costs which would result from this provision are open to challenge but we believe the following data indicate it could be a very costly change. It is estimated that about 150,000 to 175,000 additional veterans over age 65 would become immediately eligible for pensions if income were left as the only bar and tens of thousands more could find it advantageous to leave or reduce their employment in order to reduce their incomes so that they could claim a veterans pension. If only 100,000 in these groups should apply for and receive an average annual pension of \$700, it would cost \$70 million a year.

"If income is the only effective test of need required, there may well be pressures to raise income limitations still further. When World War II and Korean conflict veterans reach retirement age in large numbers, the cost impact of these developments will be multiplied. We see no reason to drop the long-standing disability and unemployability tests."

Comment.—Elimination of the disability requirement would not leave income as the only test for entitlement to pension, but there would also be the net worth provision of the current law to bar from the rolls those who have accumulated substantial resources.

With regard to the estimated potential of 150,000 who would allegedly become immediately eligible for pensions, the conclusion that this would cost \$70 million could only be predicated on the unwarranted assumption that the disability requirement of present law is the only factor barring these potential eligibles from entitlement.

Such is not the case.

To the contrary, experience would tend to indicate that those having the requisite service and meeting the income and net worth tests are equally eligible under current law but for various reasons have not chosen to apply for benefits. This reluctance to apply or ignorance concerning available benefits is experienced in all benefit programs administered by the Government.

One hundred and fifty thousand is less than 7 percent of the living World War I veterans but as late as 30 years after enactment of the first service pension for Spanish American War veterans, there were still between 10 and 20 percent fully eligible who had not applied.

Despite full information and individually addressed notice of right to file claim, at least 15 percent of all eligible war orphans fail to apply for educational benefits and of those who do apply 35 percent do not take advantage of the benefits to which they are entitled.

Only 50 percent of the veterans took advantage of the GI bill despite widespread publicity.

More pertinent to the subject of pension, despite the broadest and most intensive publicity campaign, there are still today 268,000 or 27 percent who remain on the protected pension rolls notwithstanding that they could receive \$40 million more per year by electing under the provisions of current law.

The true effect of elimination of the disability requirement is more nearly reflected by experience. The 1-month study of claims adjudicated by the VA conducted by the House Veterans Affairs Committee in April 1964 shows that out of an average of 100,000 denials of pension eligibility each year only 60 are based on lack of the requisite 10-percent disability and only 800 are based on the fact that the claimant is employable despite his disability. This constitutes less than 1 percent of the denials of pension. The added benefit cost for the 860 denied claimants would approximate \$400,000 per year. This would be more than offset by the added administrative expenses currently required in rating board consideration and medical examinations to determine whether disability requirements of law are met.

It is inconceivable to ascribe knowledge of a disability requirement as a deterrent to the filing of claims by substantial numbers of claimants who have no income, when the disability requirement is only 10 percent. Each day hundreds in this category still continue to file claims just as 600 each month continue at this late date to elect pension under Public Law 86-211.

The conclusion is inescapable that this provision of H.R. 1927 could have no significant cost implication.

CHANGING THE LIMIT OF THE LOWER TWO INCOME BRACKETS

Bureau of the Budget: "By raising the upper limits of the lower two income brackets, tens of thousands of pensioners now in higher brackets would be covered into the lower and middle brackets, increasing their pensions by \$20 to \$35 a month, amounts in some cases equal to 75 percent of their present pension. To illustrate:

"A single veteran with \$1,300 of other income a year will have his \$40 monthly pension raised by \$30.

"A married veteran with \$1,200 of other income will have his \$75 monthly pension increased by \$35; but

"A single veteran with no income except his \$85 monthly pension will get only \$5 more; and

"A married veteran with three children and no income except his \$100 monthly pension will receive \$10 more; moreover, his total annual income will be only \$1,320 as compared to \$2,140 for the single veteran in the first example.

"These substantial increases for veterans at higher income levels are difficult to square with the modest increases for people with little income or none."

Comment.—The apparent inequities illustrated in the four examples cited by the Bureau of the Budget are occasioned not by H.R. 1927 but by the very structure of an income limit pension system. Wherever there are income increments there are points at which an added few dollars of income will require a disproportionate decrease in pensions. The number of such points is directly related to the number of increment levels but increase in the number of levels tends to reduce somewhat the disproportion in the corresponding decrease in pension. These could only be eliminated by a dollar for dollar pension system which would have the drawbacks of completely eliminating the incentive motive and would be administratively infeasible. There was nothing magical about the three increment levels in Public Law 86-211. These divisions were arrived at by simple arithmetic.

Using the same examples cited by the Bureau of the Budget: The single veteran in example No. 1 today has available a combined income from pension and other sources of \$1,780, whereas a single veteran with \$100 less in outside income (\$1,200) has a total spendable income of almost \$300 more or \$2,040. Similarly, the married veteran in example No. 2 has \$2,000 available to spend but if he

were to reduce his outside income by \$200 he would increase his spendable income (\$2,200) by \$200. It is true that the veterans in illustrations No. 3 and No. 4 will get increases of only \$60 to \$120 per year but they have, since 1960, been enjoying the maximum pension rates of \$1,020 to \$1,200 per year.

The change in the income increments in H.R. 1927 is designed to take better advantage of experience under the present law and to relate the pension levels more closely to the needs of the pensioners and the current economic facts of life.

CHANGE IN COMPUTATION OF SPOUSE'S INCOME

Bureau of the Budget: "Other liberalization in income definition would also give greater benefits to those with larger incomes. For example, the entire amount of the spouse's income would not be excluded from family income limitation, permitting a veteran whose income is derived entirely from his spouse's earnings to receive a \$1,200 pension even if his wife's income is \$5,000, \$10,000, or more. This does not comport with the principle of need."

Comment.—This provision of H.R. 1927 is predicated on cases of extreme hardship which have come to the attention of the HVAC. Illustrative is the case of the veteran so totally helpless that he needs the aid and attendance of another person and whose pension of \$160 a month could not meet the financial requirements of his family. Rather than send him to a hospital or nursing home the wife accepts a job as a schoolteacher at \$4,300 per year in an effort to keep the family together. As a result, the veteran's pension is taken away and the family income reduced by \$1,920 per year. Veterans over 65 comprise 90 percent of the disability pension rolls.

HVAC has yet to encounter a case in which the spouse of a 65-year-old veteran is able to earn \$10,000 from employment. This amendment is not designed to destroy the family unit concept but rather to remove the penalty on the wife who works to preserve the family unit.

Contrary to the impression conveyed by Bureau of the Budget's statement only the earned income of the spouse is totally excluded. The current \$1,200 exclusion of unearned income is continued but thereafter all unearned income of the spouse would continue to be counted as it is now. Therefore H.R. 1927 effectively continues the current safeguards to prevent the veteran from creating his own need by transferring income-producing assets to his wife.

EXCLUSION OF PROFITS FROM THE SALE OF PROPERTY

Bureau of the Budget: "Another example of proposed changes favoring the veteran already better off would be the exception from income limitation of the profits from the sale of property."

Comment.—This statement is further evidence (see response to elimination of disability requirement at age 65) that the Bureau of the Budget has overlooked the net worth test in the current law. Under present law property is subject to a net worth test. The sale of that property, except in the course of a business, does not truly constitute income but merely an exchange of that asset from one form to another. As such, it is still subject to the net worth test. One of the criteria of the test is the liquidity of the asset. Thus the conversion of real property into cash could very well have the effect of barring the veteran under the net worth test until such time as he had materially reduced his net worth. Under the income test he would be barred only for the remainder of the year of sale.

SUBSTITUTION OF 10-PERCENT EXCLUSION FOR PRESENT RECOUPMENT PROVISION

Bureau of the Budget: "H.R. 1927 would substitute, for the present recoupment provisions, an exemption from the annual income limitation amounting to 10 percent of the income received from all private or public retirement or income support programs. While this would bar from pensions those individuals whose retirement income, after a 10-percent reduction, would still exceed the income limitation, the substitute, in our eyes, is unsatisfactory. Viewed as a 'recoupment provision' it:

"1. Would provide the greater exemption to the individual who has the larger retirement or other income support payment and has the lesser need for preferential treatment;

"2. Would permit veterans who have already recouped 100 percent of their contributions to 'recoup' a second time;

"3. Would permit the 10-percent exemption to be taken against all retirement, annuity, endowment, and other similar income, including income from noncontributory programs and plans as well as contributory ones, and would apply to the total income of contributory plans—even though typically the individual's contributions are only a small fraction of the value of the benefits paid (e.g., under OASDI contributions by the individual are now less than 10 percent of benefits and are unlikely to exceed 25 percent for many years); and

"4. Assumes a 10-year life expectancy at the age of 65 whereas more recent tables show 13 years or more.

"This provision is, in fact, simply a flat exemption of a portion of all the income support payments which come from other public or private programs or plans. We believe that all such income, including income presently exempted under the 'recoupment' provision of existing law, should be counted under the VA pension income limitation in keeping with the need principle, because such income is available for living expenses."

Comment.—To properly understand this provision it should be realized that present law recognizes that return of ones own capital investment is not counted as income. Thus retirement annuities are not counted as income until all of the individuals contributions to the fund are recouped. This principle is sound, but the current method of total recoupment creates artificial need because the greater the retirement the greater the initial recoupment. For example: the civil service retiree with an annuity of \$7,000 per year can now draw the maximum pension of \$1,200 per year for 2 or more years, after which he is entitled to no pension.

H.R. 1927 recognizes the soundness of the recoupment principle but relates it more closely to the ongoing level of need. Thus, the civil service retiree in the example cited would never qualify for pension, but a married veteran with a social security annuity of \$2,300 would receive \$900 in pension in the first as well as subsequent years rather than \$1,200 the first year and \$540 in pension thereafter.

Most significant is the beneficial effect of this change in preventing the unfortunate result that the House-passed 5-percent social security increase could otherwise have on many pensioners. Under current law an increase of only \$50 in social security will penalize thousands of pensioners by reducing their pensions as much as \$360 per year.

To say that the recoupment principle should only be applied to those who have contributed in cash to a retirement fund flies in the face of the facts of economic life. Whether a company pension is contributory or totally company financed as a substitute fringe benefit for an increase in wages is a happenstance of the bargaining table that should not penalize the worker whose services have earned his retirement. It is true that current mortality tables will support a life expectancy recoupment between 8 and 9 percent, but who can quarrel with the administrative desirability of rounding them off to 10 percent.

PROTECTION FROM EFFECTS OF 5-PERCENT SOCIAL SECURITY INCREASE

Bureau of the Budget: "We note, finally, that the social security system provides increased support for veterans. Ninety percent or more of our veterans are covered under the basic OASDI system. The House-passed social security bill will provide benefit increases and entitlement for hundreds of thousands of veterans now on the rolls. A minority of veterans will be adversely affected because the increase in social security benefits increases their total income and thus may reduce or eliminate their pensions if they are at the margin of income limitation. The individuals suffering the greatest loss, however, are those under the old pension plan where excess income bars the entire pension in an all-or-nothing manner. These persons can ameliorate their loss by transferring to the new pension plan.

"For others adversely affected we would recommend a temporary saving clause to provide a transition period. Such a provision might permit continued receipt of present veterans pensions for the first year, notwithstanding the social security increase, a two-thirds adjustment the third year, and full adjustment thereafter."

Comment.—It is difficult to visualize a more irresponsible solution to a problem which sorely vexed the members of the HVAC, and nearly all Members of

the House. In effect it would say to the 1,200,000 veterans and widows on the pension rolls who are scheduled for increases in their social security checks:

In 1965, if you were provident enough to have elected Public Law 86-211 none of the social security increase would adversely affect your pension.

In 1966 you would suffer one-third of the loss attributable to your social security increase.

In 1967 two-thirds of the loss of pension would occur.

In 1968 all of the pension loss would be suffered.

Of course if you were improvident enough to have remained on the protected pension rolls all of the social security increase must be counted immediately and your only recourse is to give up your protected status, and sustain a loss of over \$400 per year in spendable income.

So, having elected Public Law 86-211 to avoid loss of all pension, because of your delay in electing you are barred from any pension rate protection available to earlier electors.

Apart from its obvious inequities and the confusion it would create in the minds of claimants the Bureau of the Budget device is:

Impossible to adequately explain to claimants.

Extremely difficult to administer because of its artificial multiplicity of rates.

Arbitrary in its selection of those benefited.

Unrelated in its formula to any principle of need or reason.

And it would only minimally ameliorate the impact of the currently pending social security increase.

The point is that H.R. 1927 provides a simple straightforward method of offsetting the adverse effects of small increases in retirement payments across the board so as to provide an equitable method, easily understood by all concerned.

H.R. 1927 would completely eliminate the adverse impact of the current social security increase as well as providing ongoing relief for similar future increases in other retirement benefits.

It is true that of those VA pensioners who will receive social security increases only a minority will be adversely affected. Of the 1,200,000 receiving pension in this category only 108,000 will lose pension. However, the total annual increase in social security benefit to VA pensioners amounts to \$72,781,938. The gross pension loss by reason of social security increases amounts to \$50,789,955 annually leaving \$21,991,983 net gain to all pensioners. Simply stated 10 percent of the pensioners would bear three-fourths of the cost of the social security increase to the other 90 percent of the pensioners.

Truly, Congress would be giving with one hand, and taking with the other, if the Bureau of the Budget proposal were to be adopted.

COST IMPLICATIONS

Bureau of the Budget: "The cost of the bill as estimated by its sponsors is \$72 million for 1966 (costs for 1965 are only for the portion of the year after enactment) and almost half a billion dollars for the first 5 years. We believe this estimate to be low because it assumes that (a) virtually no new cases will be added to the rolls as a result of the liberalizations, (b) the costs resulting from transfers from the "old" pension law to the "new" pension act will not be attributed to the proposed changes even though the additional liberalizations were responsible for the transfers, and (c) the estimates include nothing in extra costs because of the proposed elimination of the disability and unemployment tests. Earlier estimates of the cost of the bill were \$125 million for 1966 and nearly three-quarters of a billion dollars for the first 5 years.

"While we have not had an opportunity to complete our analysis, there is reason to believe that the costs would run substantially higher than either of these estimates. No provision has been made in the 1965 budget for these costs."

Comment.—This presents your committee with a choice of accepting as the cost estimate of H.R. 1927 either the vague "there is reason to believe" conclusions of the Bureau of the Budget or the firm cost estimate submitted by VA. Based on prior experience with VA cost estimates in the pension area one can only conclude that VA estimates have never tended to minimize the cost of proposed pension charges.

Assuming by his silence in certain areas and opposition in others that the Director, Bureau of the Budget, would not oppose these changes in H.R. 1927 to which he has not expressed opposition, what would H.R. 1927 cost if awarded consistent with his expressed position?

In the first year January 1, 1965, to June 30, 1965 :

	<i>Millions</i>
Rate increase of \$5 and \$10 to the most needy would cost.....	\$35.5
A. & A. increases would cost.....	4.5
The housebound rate would cost.....	1.2
Uniform reduction in A. & A., while hospitalized would cost.....	.3
The amelioration provision for social security would cost.....	10.0
Medicine for A. & A. would cost.....	1.0
Compare the total 1st year cost of these halfway measures with the \$43,- 900,000 full cost of H.R. 1927 over the same period.....	53.1

The CHAIRMAN. Any further questions?

Senator MORTON. No, sir.

The CHAIRMAN. Senator Dirksen?

Senator DIRKSEN. No, sir.

The CHAIRMAN. Thank you very much, Mr. Hughes.

Mr. HUGHES. Thank you very much, Mr. Chairman.

The CHAIRMAN. The chairman desires to insert a statement from Mr. William R. Kime, national commander, Veterans of World War I of the U.S.A.

(The statement of Mr. Kime follows:)

STATEMENT OF WILLIAM R. KIME, NATIONAL COMMANDER, VETERANS OF WORLD WAR I OF THE U.S.A., INC.

Mr. Chairman and members of this committee, my name is William R. Kime and my home is in Richland, Iowa. I am presently the national commander of the Veterans of World War I, Inc., an organization composed exclusively of men who served this Nation in 1917 and 1918. At the present time our membership stands at approximately 240,000, with some 77,000 members of the Ladies Auxiliary affiliated with us.

At this time I would like to express my sincere appreciation for the opportunity to present to you the position of our organization with reference to H.R. 1927 (as amended). I would like to state initially that during the 45 years I have been working with veterans' organizations, to my knowledge, with the exception of the GI bill, this is the first time all major veterans' organizations have given their unqualified support to a bill for the benefit of the veteran, his widow, and dependents.

H.R. 1927 (as amended) was approved by the House last week by a vote of 388 to 0.

For a number of years the leaders, of the various veterans' organizations and Members of Congress, particularly the House Veterans' Affairs Committee, have groped to find an answer to correct many present inequities in present laws granting assistance to veterans and their dependents. All of the various veterans' organizations have introduced legislation designed to fulfill the mandates laid down by their national conventions, with the end result that due to conflicting views, there has been no substantial assistance rendered to those veterans with non-service-connected disabilities.

May I call to your attention that had medical records been kept of the armed services during World War I, the same as was done during World War II and Korea, thousands of those World War I veterans who are today classified as nonservice connected would be classified as service connected.

Now it appears that H.R. 1927 (as amended), passed by the House last week, forms a basis for substantial improvement in existing pension laws that will serve to assist many thousands of our older veterans, as well as those younger veterans who need assistance, such as aid and attendance and housebound cases.

While the amendments do not provide as extensive benefits as we would like, nevertheless their adoption will prove of direct benefit to thousands of our aging veterans.

Of major importance to so many of our members is that section dealing with a 10-percent exclusion from all pensions annuities and endowments in determining income limitations for pension payments.

It will be recalled that when the last increases in social security and civil service benefits were voted by the Congress, thousands of veterans and their widows were adversely affected by this legislation in that a small advance in these benefits served to place them over the income limitations and as a consequence their pensions were reduced or discontinued. We are sure it was not the intent of Congress to pass laws for the benefit of the veteran and/or his widow which would at the same time penalize thousands by placing them in a different classification, reducing or eliminating their benefits. We concur heartily in the 10-percent exclusion proposal.

Rates of increases for pensioners and their widows are not equal to the amounts sought in our own pension bill, H.R. 2332, but there are added emoluments, particularly for those in the lower categories.

Under existing law, the income of a spouse is not considered available to the veteran in computing income limitations until after the first \$1,200 has been deducted. We give full approval to that section which eliminates earned income of a spouse as income of the veteran. Many thousands of the wives of handicapped veterans have found it necessary to seek employment to maintain a home. Certainly meager pension payments in such cases should not be denied because the wife has been forced to contribute to the support of a family, usually bringing in far less income than is required to provide even the bare necessities of life.

Representatives of veterans' organizations, as well as many Members of Congress, have long contended that the VA administrative costs could be reduced substantially by granting blanket authority for veterans who have reached age 65 to be eligible for pension benefits. The present amendments eliminate entirely the provision calling for a 10-percent disability and a showing of unemployability. In this connection, however, it is believed that some veterans heretofore ineligible can now be added to the pension rolls.

While we have advocated greater monetary increases in rates of pension now paid for veterans and/or their widows, we realize that the new rate schedule incorporated in the legislation under consideration is a step forward. We are particularly pleased that the proposal recognizes the need for increased pension for widows of World War I.

That section of the bill dealing with increases and allowances for aid and attendance and the establishment of an additional monthly allowance for housebound veterans will prove of material assistance to these unfortunate people. Certainly there can be no opposition from anyone in granting added benefits for those veterans who are so sorely in need. To qualify a veteran must have permanent disabilities which prevent him from performing even the simplest task of caring for his own person. In this connection, too, a splendid feature of the bill is the provision calling for medicines and drugs to those who are qualified for aid and attendance, as prescribed by a physician.

We are pleased with that section of the bill which provides the same 10-percent exclusion of moneys from private or public pensions as that which applies under section I for those veterans who are drawing benefits under old part III of the Economy Act, the first amendment to that act in 12 years.

It is our understanding that the effective date of this bill, if approved by the Congress and the President, will be January 1, 1965, with the exception of the 5-percent increase in social security, which has been reported out of the Ways and Means Committee, passed by the House, and is now under consideration in the Senate.

In our estimation the projected costs of the legislation are not excessive. One-half of fiscal year 1965 will cost some \$43 million, graduating to some \$111 million by 1969. This surely coincides with the administration's approved Economic Opportunity Act of 1964, H.R. 11877, which according to news releases carries a price tag in excess of \$950 million.

In summing up, Mr. Chairman, this bill, in our opinion, represents a compromise, one which while not granting all that we would have desired, is of such merit that we have no hesitancy whatsoever in giving it our full and unqualified support. Once again, I thank you for the opportunity to present to you the convictions of the Veterans of World War I on this legislation.

The CHAIRMAN. The next witness is Mr. John Corcoran of the American Legion.

STATEMENT OF JOHN J. CORCORAN, DIRECTOR OF THE NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION; ACCOMPANIED BY CLARENCE H. OLSON, DIRECTOR OF LEGISLATION, AMERICAN LEGION

Mr. OLSON. Mr. Chairman, my name is Clarence H. Olson, and I am director of legislation for the American Legion. Our principal witness today is Mr. John Corcoran. He has a rather lengthy statement. I believe he is going to summarize it for you and we would appreciate the statement being incorporated in the record.

The CHAIRMAN. That will be done.

(The complete statement of Mr. Corcoran follows:)

STATEMENT OF JOHN J. CORCORAN, DIRECTOR, NATIONAL REHABILITATION COMMISSION, THE AMERICAN LEGION, CONCERNING H.R. 1927

Mr. Chairman, knowing well the many pressing legislative considerations now facing this committee in the closing hours of the 88th Congress, the American Legion is deeply appreciative of having been given this opportunity to present its views on H.R. 1927, an act to revise the disability and death pension laws. We are convinced that there is a genuine need for substantial improvement in those laws to protect from serious need those veterans, their widows, and their orphans who, because of age, disability, or other circumstances, are unable to provide for themselves a decent and respectable existence.

For the purpose of our testimony, "pension" is a monthly payment under laws administered by the Veteran's Administration to veterans of World War I, World War II, and of the Korean conflict, who have served their country honorably and who, because of non-service-connected disability, are unable to follow a substantially gainful occupation, and to their surviving widows and children if the death of the veteran is not the result of a service-connected disease or injury. It is our Nation's traditional means of giving its wartime defenders an honorable form of assistance when they or their survivors are unable to provide for themselves or when their income is insufficient to meet the expenses of their reasonable needs.

"Need," for the purpose of death or disability pension, has a concept or definition which differs considerably from the concept applicable in ordinary public assistance determinations. Were this not so, there would be a breakdown of the distinction between charity or ordinary public assistance and pension. From the inception of the disability pension program in 1930, the needs test was set high enough to insure against anyone confusing pension with charity or indigency. Initially, this benefit, known as disability allowance, was payable for specified degrees of physical disability to those veterans exempt from the payment of Federal income tax in the year preceding the year of application. Exemption credits for Federal income tax at that time were \$1,500 for a single person and \$3,500 for a married person, with an added \$400 for each additional dependent. On enactment of Public 2 of the 73d Congress, March 20, 1933, the pension provisions were modified. This act established specific income limitations—\$1,000 for a veteran or widow without dependents and \$2,500 for a veteran or widow with dependents. In 1952, these annual income limits were raised to \$1,400 and \$2,700 respectively. Effective July 1, 1960, the Veterans Pension Act of 1959, Public Law 86-211, brought into being a new concept for evaluating entitlement to pension. This act provided three steps of annual income with corresponding rates of pension—setting the top income limits of entitlement at \$1,800 and \$3,000. At the same time, it made the needs determination more restrictive by writing in new provisions for computing annual income and applying the test of net worth.

In evaluating its views on pension, the American Legion understands and appreciates that it is a difficult problem for the Federal Government, in benefits programs of this nature, to define precisely the rightful obligation of a concerned people for those who have sacrificed to protect and defend them and to preserve the society of which they are a part.

From the time of our early discussions associated with congressional consideration of the Veterans' Pension Act of 1959, the American Legion was un-

happy with those provisions that, in its opinion, violated the traditional concepts associated with pension that had evolved from the solicitude of the Federal Government for its war veterans. Based on national convention and national executive committee mandates, the American Legion since 1961 has consistently sponsored and supported legislation to amend the Veterans' Pension Act of 1959 to—

- (1) Substitute a two-step scale of annual incomes for the present three steps used in determining entitlement to death or disability pension;
- (2) Repeal the provision of title 38, United States Code, which requires that a veteran count as his income that part of a spouse's income in excess of \$1,200;
- (3) Increase the monthly rates of death and disability pension payable to eligible veterans and widows;
- (4) Amend the annual income determination provisions to permit additional exclusions from annual income reports of widows, children, and veterans;
- (5) Restore to the pension provisions of law that former provision that permitted continuation of the full rate of pension to a veteran without dependents who is hospitalized or domiciled by the Veterans' Administration until the first day of the seventh month, and the payment in a lump sum on discharge of the amount by which pension was reduced, if hospitalized beyond the first day of the seventh month;
- (6) Amend the permanent and total disability determination formulas to permit a finding of permanent and total disability in the case of an unemployed veteran 65 years of age or older without the necessity of medically demonstrating the existence of a permanent disability to a degree of 10 percent or more or in the case of a veteran hospitalized for an active tuberculosis.

Aside from the traditional aspects that should govern the Nation's actions in providing an adequate pension benefits program, consideration should be given the effects of continuously rising costs of essential goods and services on persons with a fixed small income consisting of pension payments or a combination of pension and social security old-age survivors benefits or disability income. We think this problem is well exemplified by the Consumer Price Indexes published monthly by the Department of Labor. For the period ending June 1964, the report of July 31, 1964 said:

"The Consumer Price Index rose by 0.2 percent in June, the U.S. Department of Labor's Bureau of Labor Statistics announced today. Seasonally higher prices for food were chiefly responsible for the increase. Housing and transportation cost also advanced over the month.

"At 108 percent of its 1957-59 average, the June index was 1.3 percent higher than a year ago. Prices of most consumer goods and services have advanced over the year * * *."

A look at some of the components of this (1957-59 equals 100 index) shows that—

	Percent
All services increased to.....	34.0
Food to.....	22.4
Other nondurable commodities to.....	24.8
Durable commodities to.....	18.8

For those veterans, widows, and children, who because of economic choice continue to receive the old death or disability pension rates under the savings provisions of the Veterans Pension Act of 1959, the economic picture looks even more bleak in terms of the 1957-59 equals 100 Consumer Price Index. Their rates were last increased by 5 percent on October 1, 1954. For them, in terms of the 1957-59 base, the index has risen from 93.6 to the present 108; a rise in the cost of living of 15.3 percent.

Some additional understanding of the economics of the aged and unemployed may be gained from the Bureau of Labor Statistics inquiry into the adequacy of the median income in 1960 of two-person families and of persons living alone where the head of the family or the person living alone was 65 or over. To assist in making this judgment, the Bureau of Labor Statistics devised a modest but adequate budget based on the average cost of its items in 20 cities—some large and some small. According to this budget, a couple 65 and older who rent a small house or apartment would need an annual income of \$3,010 for a modest but adequate living in this average city. Since the median income for this

couple is \$2,530, a substantial dollar gap exists between it and the amount needed to meet the modest budget. Although the median income for the elder person living alone is \$1,055, Bureau of Labor Statistics did not venture to test its adequacy to meet this lone person's modest but adequate budget items. An examination of the BLS budget discloses that it does not include an allowance for the large medical bills frequently associated with the illnesses of older people.

In the report of the U.S. Senate Special Committee on Aging (Developments in Aging—1959 to 1963), page 63 of report No. 8, dated February 11, 1963, carries the reasoning with respect to increasing social security benefits:

"The committee is not attempting to predict the situation some 10 years hence. It believes that, in the year 1963, it is essential to deal with the income situation of today's aged population and to deal with this situation on its merits. And we believe that this situation justifies an across-the-board increase in benefits, proportionately somewhat greater than the rise which has occurred in the Consumer Price Index during the 4 years following the last general increase (amendments of 158, effective January 1959, during which period the CPI has increased by nearly 0 percentage points).

"The obligation to maintain the purchasing power of social security benefits has become an established principle of our social system—even though not generally recognized by the aged themselves who quite frequently refer to the 'fixed incomes' on which they live. If benefits are increased only enough to take account of the price rise, however, our aged population is forced to undergo a continually lower level of living relative to that of other age groups in the population whose earnings give them a share in our rising prosperity. The 1961 legislation to raise the minimum wages gives added weight to the claim that wage-relative benefits should reflect current levels of earnings and not just past earnings adjusted for price increases since retirement."

It is evident from past and recent legislative activities in the Congress and in the executive that considerable attention and concern have been directed to this area of cost-of-living increase. Some of the actions flowing from this attention and concern, with their first annual cost figures, are typified by the following—

Civil service employees pay increases:

1960.....	\$810,000,000
1962 (phases I and II).....	1,000,000,000
1964.....	564,000,000

Military pay increase acts:

1963.....	1,200,000,000
1964.....	207,000,000

In the Economic Opportunity Act of 1964, an act to mobilize the human and financial resources of the Nation to combat poverty in the United States, the Federal Government is expressing a willingness to mobilize the economic and human resources of the Nation with a fiscal year 1965 cost of slightly less than \$1 billion.

At present, Congress is giving legislative consideration to the Social Security Act Amendment of 1964 (H.R. 11865). It is estimated that the amendments contained in this act will ease the economic burdens of almost 21 million individuals. Among the major amendments is the one that will provide a 5-percent increase in benefits to those presently on the rolls to enable them to meet the rise in living costs. Later in this testimony we want to say more on the effects of this increase on many veterans and widows and children receiving pension from the Veterans' Administration where income is for consideration in the entitlement determination.

We do not comment here on the wisdom of providing foreign aid, which we understand will amount to approximately \$3.4 billion this year. We do want to point to the fact, however, and this is one that is frequently stressed by veterans in their letters to the national commander of the American Legion, that the needs of some foreign citizenry are given greater consideration than are those of the veterans of this country. We see frequent references to the projected dollar cost for veterans' programs but none for some of the foreign aid or development programs.

Private industry and trade unions enter into agreements in their contract negotiations that provide for increases in wages when certain changes occur in the Consumer Price Index. Month after month, Bureau of Labor Statistics reports result in salary increases to raise the purchasing power of some orga-

nized labor or trade group to enable them to cope with the increased cost of goods and services.

In the 87th Congress, Public Law 645 was enacted. This compensation increase act provided sorely needed additional income for veterans and their dependents. During the first session of this Congress, the enactment of Public Laws 21 and 134 raised the rates of dependency and indemnity compensation for dependent parents and children and widows to meet the cost-of-living rise.

It is our belief that the round of increases to meet the steadily rising cost of living has come full circle and that it is now the turn of those on the death and disability pension rolls to receive consideration.

Mr. Chairman and members of this committee, we urge your favorable consideration of the act, H.R. 1927, which is now before you, for the following reasons:

(1) It is the conviction of the American Legion as well as that of those receiving benefits under its provisions that Public Law 86-211, the Veterans' Pension Act of 1959, has not lived up to the promises of its provisions nor has it accomplished what its proponents predicted.

(2) The increase in rates and other liberalizations in H.R. 1927 are essential for the aged or disabled veteran, his widow, and children to maintain their purchasing power to enable them to meet the cost of necessary goods and services.

(3) To counter the adverse effects of H.R. 11865. As you know, social security benefits are counted as income for the purpose of death or disability pension entitlement. According to information from the Veterans' Administration if H.R. 1927 is not enacted or if some provision is not made in the bill granting the social security benefit increase to not have the increase counted as income by the Veterans' Administration for pension entitlement purposes. Figures made available to this organization indicate that the average social security increase of \$56.28 to this group of some 103,000 recipients of VA pension will result in an annual average loss of \$400.93 in income. To those recipients under the old pension law this annual loss averages to \$831.95. In evaluating the adverse effects flowing from this social security increase, it should be kept in mind that this is a group of veterans and survivors of deceased veterans who have already been subjected to the needs test of either of the two pension laws and that these needs tests are within the figure that delineates poverty from relative well-being, that is, \$3,000.

Mr. Chairman, the American Legion urges favorable action on H.R. 1927. The act does not do all we think it should. It has some provisions with which we do not agree. For example, we find particularly objectionable the elimination of the recoupment provision. We feel strongly that a person's receipt of his own personal contributions to a retirement plan should never be counted as income for pension purposes. But the needy and disabled pensioners have waited a long time for improvement in the pension laws and H.R. 1927 is far better than nothing.

In conclusion, Mr. Chairman, we find that this act, as its predecessors, has generated statements that it is beyond the economic capabilities of the Nation. On examining the many acts that have improved salaries of Government or military personnel, or that have provided moneys for foreign aid or for other purposes, we have not seen any expressions of alarm over what the total dollar value would amount to by the year 1990 or the year 2000. Yet, in connection with legislation that would improve the lot of veterans or their survivors, we continually see this effort to discredit it on the basis that its total dollar cost by the time of some future year would reach astronomical figures. None of these projections project the gross national income or the gross national product to these future years or take the trouble to project that these additional costs for veterans projected to these future years would remain the same, percentage-wise, either on an annual or total projected cost basis.

We have attached a table which relates the cost of the veterans' program to standards such as the gross national product. You will note that, viewed in this manner, the cost is stable and even decreasing. Currently, the VA budget is less than 1 percent of the gross national product. In our opinion this is a reasonable price for what the President of the United States termed "a continuing cost of war".

Again, Mr. Chairman and members of this committee, the Legion membership appreciates very much your giving us the opportunity to appear before you to express our views with respect to this very pressing legislation for veterans and their survivors.

VA expenditures as a percent of—

Gross national product (billions)	Fiscal year	Federal budget expenditures	National income	Gross national product	Per capita expenditures (excluding foreign)
\$91.1.....	1930	18.6	0.8		
	1931	20.0	1.0		
	1932	16.9	1.5		
\$55.9.....	1933	16.9	1.9		
\$68.7.....	1934	7.4	1.1	0.7	\$3.55
\$75.2.....	1935	8.5	1.0	.1	3.45
\$86.8.....	1936	6.8	.9	.6	3.78
\$88.0.....	1937	7.5	.8	.6	3.82
\$83.2.....	1938	8.6	.8	.6	3.94
\$95.7.....	1939	6.3	.8	.6	4.08
\$100.6.....	1940	6.2	.7	.6	3.95
\$140.5.....	1941	4.2	.6	.4	4.09
\$178.4.....	1942	1.6	.4	.3	4.30
\$202.8.....	1943	.8	.4	.3	4.90
\$218.3.....	1944	.8	.4	.4	7.19
\$213.6.....	1945	2.1	1.1	1.5	22.67
\$221.5.....	1946	7.3	2.4	3.0	47.62
\$245.0.....	1947	19.1	3.9	2.8	47.82
\$260.5.....	1948	19.6	3.1	2.7	47.88
\$263.0.....	1949	16.9	3.0	2.6	43.89
\$284.6.....	1950	16.7	2.9	2.4	41.35
\$311.8.....	1951	12.0	2.0	1.4	31.01
\$336.8.....	1952	7.7	1.7	1.2	27.28
\$358.4.....	1953	5.9	1.5	1.1	26.12
\$360.6.....	1954	6.3	1.4		
\$397.5.....	1955	6.9	1.4	1.2	25.83
	1956	7.2	1.4	1.1	26.80
\$442.8.....	1957	7.0	1.4	1.1	26.74
\$444.5.....	1958	7.2	1.4	1.1	28.05
\$482.7.....	1959	6.6	1.4	1.1	28.08
\$503.4.....	1960	7.0	1.3	1.0	27.61
\$518.7.....	1961	6.8	1.8	1.0	28.21
\$553.9.....	1962	6.4	1.3	1.0	28.19
\$588.0.....	1963	6.3	1.3	1.0	29.21
Percentage change for 1962-63 expenditures from—					
1934-35.....					+261
1949-50.....					-44
1959-60.....					+02

NOTE.—In 1963 the 1940 dollar had a value of 47 cents.

Mr. CORCORAN. Thank you, Mr. Chairman.

Let me begin by expressing the very deep appreciation of the American Legion to this committee for taking the time during these very busy days to hear us on this most important matter.

Mr. Chairman, what I would like to do in summarizing the Legion's view on H.R. 1927 is first of all just discuss in very general terms the nature of the benefit with which this committee is dealing—the nature of benefit encompassed by H.R. 1927. Then, secondly, to give the committee the reasons H.R. 1927 is needed and then lastly, to discuss again in general terms some of the objections that have been raised by the Bureau of the Budget.

First of all, now, with reference to the nature of the benefit.

Of course, this is elementary, but I think we should point out that the pension that is payable under pension laws that is affected by H.R. 1927 is a sum of money paid monthly to veterans who had honorable wartime service or to their survivors. In the case of veterans, in order to be eligible, one must be permanently and totally disabled and in financial need.

The disabilities which make this man unemployable need not be service connected, but here is a point frequently overlooked and that is the fact that many of these persons drawing non-service-connected pen-

sions have rather substantial service-connected disabilities but elect to take the pension because that is the greater of the two amounts.

Age has been given very serious consideration in the whole pension system by the Congress. And, as a matter of fact, therefore, in the administration of the law it becomes easier to persuade the Veterans' Administration that you are unemployable as your age increases.

With whom are we mainly dealing with when we enact a pension law? We are mainly dealing with the World War I veteran because of the 1,277,000 persons receiving pensions, 1 million of those are veterans of World War I. So, therefore, Mr. Chairman, we are discussing first the severely disabled or the aged persons, the person in financial need and their survivors.

Just how needy are these people who are the recipients of pensions? When the Veterans' Administration appeared before this committee in 1959 at hearings preceding the Public Law 86-211, the Veterans' Administration reported to the committee that they had done a survey and that of all of the single veterans drawing pensions from the U.S. Government through the Veterans' Administration, 71 percent of those had a total in annual income of less than \$400 a year. With reference to married persons, persons with dependents, 85 percent of all of the persons drawing pensions had annual incomes of less than \$1,800. We have learned from the Veterans' Administration that actual experience with Public Law 86-211 has established that even more persons than estimated at that time are actually in this various and very serious state of financial need.

Pension is the result of a long established effort by this Government to lift the veteran out of this need that we have just described—to give him some special type of treatment through an honorable wartime pension. Now, since one of the essential elements of pension is "need," it becomes necessary for all of us who are interested in veterans' affairs and for ultimately the U.S. Congress to determine what constitutes need for pension purposes. It is not an easy word to define—it certainly defies an exact and precise definition. But one thing is certain, and that is that the United States, in the eyes of the U.S. Congress, need for pension purposes has always been far different from ordinary charity. The U.S. Congress has never required the veteran to reach abject poverty before becoming entitled to this pension.

For those who find fault with H.R. 1927 and its effort to raise slightly the income limitations, and the income limitations of course are the essential test of need, we would like to recall for the record and for this committee what the situation was in 1930, at the beginning of this pension program.

Senator GORE. Mr. Chairman, before we go on to that, since you are discussing need, I would like to have your response to the charge made by the Bureau of the Budget that this bill would provide proportionately greater pension increases for many whose need is less and would not adjust some rates at all.

Mr. CORCORAN. Well, to a certain extent, Senator, I think there is some substance in the comment. Of course, the easy answer to that is to increase all of the rates and the American Legion not only encourages this but this is contained in our original bill.

Actually, one way of looking at the present version of H.R. 1927 is that no single person gets an increase whose annual income is over \$800

a year and no person with dependents gets an increase if the annual income is over \$1,200 a year.

Senator GORE. That is not exactly an extravagant standard of living, is it?

Mr. CORCORAN. In order to make a completely fair statement I would like to add this one sentence. In addition to that, with what I would guess is a very limited number of people, because Veterans' Administration finds not very many people in the middle step—there being three steps—the House decided that the middle step should be increased \$100, so some persons are now or will now become eligible for the same old rate. The Bureau of the Budget looks on that as an increase and I suppose you can look on it that way. But for the great, great bulk of the persons, no increase at all, if total income is over \$800. What is the increase? Five dollars a month. For the person with dependents, no increase over \$1,200 and the increase is \$10 a month.

Senator GORE. For purposes of the war on poverty, has not the family with an annual income of less than \$3,000 been arbitrarily declared to be in a state of poverty?

Mr. CORCORAN. We think certainly the administration's opposition to H.R. 1927 is inconsistent and in conflict with its expression of its war against poverty.

Senator GORE. Is it not a fact that \$3,000 has been determined to be a level of income below which a family is living in poverty conditions?

Mr. CORCORAN. Yes, sir.

Senator GORE. And you would say a veteran with an annual income of \$800 is not actually a participant in the affluent society.

Mr. CORCORAN. Correct.

I think to refer back to the history of this thing, it is pertinent and important—there is an objection on the part of the Bureau of the Budget to any increase in the income limitations.

Now, let me point out that when this program was begun in the 1930's, there was a needs test, too. In order to be eligible for pension you must have been exempt from the payment of income tax the previous year. The effect of this was that if you were a married person with annual income of \$3,500 you were eligible for pension if you met the other requirements and you got \$40 a month from the U.S. Government. Look at the law now. If you have over \$3,000 you do not get anything from the Government and the monthly payment is \$45. Now, my point is that the history of the treatment of the pension program I think does not justify the conclusion that it is a runaway or extravagant program.

Now, commenting on the question: Is H.R. 1927 needed? Mr. Chairman, we think there is a one-word answer and that answer is "desperately." The basic pension law, Public Law 86-211, was enacted in 1959 and went into effect in 1960. It suggested a number of radical changes, some of which certainly did not find full agreement with the veterans' organizations. Experience with that law has definitely established that in the 5 years since it was created and enacted changes are needed, improvements are needed, refinements are needed, and that is what H.R. 1927 attempts in a modest way to do.

In addition to that, the rise in the cost of living about which I know this committee has heard so much justifies enactment of H.R. 1927.

As you know, there are two basic pension laws now under which it is possible for some veterans—namely, World War I veterans—to receive a pension. Let us call it the old law and the new law. The old law has not had an increase in the rate since 1954—10 years—and then it was 5 percent. In this period of time, since 1954, the cost of living has risen 15 percent. The new law was enacted in 1959. That is when the rates were set, in 1959. There has been no change since then and according to our figures which, incidentally, do not jibe with those presented by the previous witness, according to the figures available to us. There has been a cost-of-living rise of 8 percent—using the 1956–59 index—so we say, secondly, that if for no other reason the rise in the cost of living demands favorable action of H.R. 1927.

Lastly, the matter that was discussed earlier today, the effect of the increase in the social security payments. As has been testified to by previous witnesses, approximately 103,000 persons would be adversely affected if the social security went through. This would cost them a net loss of \$45 billion. Perhaps it is also well to mention that the typical case—perhaps the most extreme case—but the typical case is that of a World War I veteran, 70 years old—remember, he got to be permanently and totally disabled and in financial need—is drawing \$78.75 a month pension. He will get an increase of let us say about \$5 a month from social security. This is the type of case we receive correspondence on. He has to take the increase from the social security. This puts him over the annual income limitation and he suffers a net loss of \$75 per month.

Now, it has been indicated that Senator Prouty has offered an amendment and the deficiencies of that amendment—or will offer an amendment—and the deficiencies of that amendment have been described in detail by a previous witness. Let me say, please, two things about that.

First of all, it does not help the most appealing case. It does not help the man who is continuing to take a pension under the old law. In addition, it only takes care of social security. What if this man is receiving retirement from some other form of retirement fund—private or public—and he has to take some involuntary increase? The same things that befall the social security recipient can well befall him.

I understand from the discussion this morning that Senator Prouty's second part of the amendment was that the Administrator of Veterans' Affairs should be given the opportunity to recommend a more permanent and lasting and more effective way of taking care of this. I construed the Administrator's testimony as doing exactly that this morning as recommending that the 10-percent exclusion in H.R. 1927 be accepted.

Senator GORE. How did you conclude that?

Mr. CORCORAN. Here again, Senator, we would have to go back to the actual verbatim transcript to see precisely what Mr. Gleason said. This was just on one phase.

Senator GORE. I thought he was against it.

Mr. CORCORAN. I was equally in doubt on the whole bill. As far as this provision is concerned, Senator, he compared it—he compared the disadvantages of the Prouty amendment with the advantages of the

10-percent exclusion contained in H.R. 1927 and it seems to me that the plain inference to be drawn from that was that he favored and recommended the 10-percent exclusion rather than the Prouty amendment.

Senator GORE. If we are permitted to draw inferences, I drew the inference that we would like very much to be for it but could not. This may be an unfair inference.

Mr. CORCORAN. I hope that the entire committee drew that inference. I also hope that it will affect your deliberations.

Senator GORE. I speak only for myself.

Mr. CORCORAN. May I continue, sir?

Senator GORE. Yes, indeed.

Mr. CORCORAN. Turning briefly, Mr. Chairman, and also generally to some of the objections raised by the Bureau of the Budget. I think that here, again, it is important to understand what at least we concede to be one of the fundamental tenets of the Bureau of the Budget with reference to pension. I think that their actions in the field of pension—that is, non-service-connected pension over the years—that they are opposed to pension. I think they are opposed to the system. I think that the recommendation is that veterans be included in the broad welfare programs available to all citizens.

I was reviewing the testimony of Mr. Stans given to this committee in 1959, the last time we were heard on pensions. At that time he said:

We support the continuation of a separate pension system.

He said that. Then he was asked for his recommendations and he said:

Well, we think that you ought to accept the following, though, because it will be more equitable to the people receiving pensions.

He was asked how much this would cost. He said it will reduce expenditures \$47 billion in the next 40 years. The late Senator Kerr said:

It is going to be hard for me to convince my constituents that it is more equitable to them to reduce expenditure \$47 billion a year than to let the system stay the way it is.

My point is that I think fundamentally and philosophically the Bureau of the Budget opposes pensions and I think this influences their expression and reception of their views on any measure.

It seems to us that the objections of the Bureau of the Budget fall into three categories. One I have already turned to. They say things such as H.R. 1927 gives increases to persons "at higher income levels." And it gives greater benefits to those with larger incomes. We have already established we are talking about people with incomes of \$800 a year and \$1,200 a year. While it is true that a man of \$800 has a larger income than a man with no income, the implication of the word that he is up in that, as the Senator said, affluence is certainly misleading.

Second, the Bureau of the Budget protests generally the additional exclusions from income. Experience has established, convinced us and convinced the House Veterans' Affairs Committee that these are merely refinements that have been found to be necessary in the existing law. We ask the Veterans' Administration what is the magni-

tude of these new exclusions? We were told it was substantially less than 1 percent of the caseload.

My point is that we are not talking about, I do not think, a very large item in this particular objection.

Senator CURTIS. Will you yield right there?

One of the cases that have been called to our attention is the present requirement that they include spouses in it and you could well have a case where the veteran was in need of attention and is in need of attention, but that still did not meet his requirement and his wife might go out and get a job, she might teach school and might get \$4,000 or \$5,000 a year. For the sake of providing him—I will say if you did not do it the Government might have to, at the veterans hospital or otherwise.

Mr. CORCORAN. Yes, that is right. H.R. 1927 would remedy that very appealing situation.

It is not completely pertinent to the question, but I would like to make one further statement on spouses' income, because I think it reflects a trend that we see in treatment of the pension laws with which we do not agree.

From the law that was enacted in 1959 proposed for the first time that in determining a man's eligibility you looked to somebody else's income, we objected and it is on a philosophical basis. We think that pensions pad to a man because of his relationship with his Government, stemming back, of course, to war service—and we think therefore the Government ought to look to his situation mainly and not to somebody else's to determine eligibility. The answer to that is, of course, if he got money available to him, why not count it? Does that not affect his need? Well, the thing that we find objectionable is, Where do you stop? Now, you look through his spouse's income, now do you next look to his children, then do you look to anybody who might have a moral or legal obligation to help him with support? And if you continue down that path I think that you break down the distinction that has always existed, as we attempted to say earlier, between pension and charity.

I am almost finished, Mr. Chairman. I am taking too long and I hope I will not interfere with your hearing the other witnesses. I will try to finish up as soon as we can.

The CHAIRMAN. We have two more witnesses. It is now 11:30.

Mr. CORCORAN. If you want, I will be glad to conclude now. I will just conclude, sir, by saying in our testimony we do call attention—

The CHAIRMAN. Do you have any questions, Senator Gore?

(No response)

Mr. CORCORAN. May I make a concluding statement, Mr. Chairman?

The CHAIRMAN. I want you to take whatever time you think is necessary.

Mr. CORCORAN. You are very gracious, sir.

Pension is a very highly technical and complicated affair such as most matters that we have to deal with in everyday life.

It seems to me there is one overriding factor to be considered. The Government has accepted a responsibility to provide pensions to certain veterans. If it accepts the responsibility, it seems to us that it has to be taken care of with this. H.R. 1927 was agreed to by all of the veteran organizations. It is a very modest bill. It does not do everything that the American Legion thinks it ought to do, or anybody else.

But it is a far better thing than nothing. The Legion supports H.R. 1927 and urges favorable action.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much, Mr. Corcoran.

The next witness is Mr. Francis W. Stover, director, National Legislative Service, Veterans of Foreign Wars.

Mr. Stover, you may proceed.

STATEMENT OF FRANCIS W. STOVER, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS; ACCOMPANIED BY NORMAN D. JONES, DIRECTOR OF NATIONAL REHABILITATION AND WELFARE SERVICE

Mr. STOVER. Mr. Chairman and members of the committee, my name is Francis W. Stover and I am the national legislative director of the Veterans of Foreign Wars of the United States. May I first extend the sincere appreciation in behalf of the 1,300,000 members of the Veterans of Foreign Wars for this opportunity and privilege to come before this most distinguished committee to render our views concerning this most vital program.

The Veterans of Foreign Wars lent it fullest support to H.R. 1927 as amended, reported, and passed by the House of Representatives. This bill contains many provisions in our own VFW sponsored bill, H.R. 9665. The source of authority for our position is found in a national council of administration resolution which was adopted at its October 1963 meeting when the council met to clarify our position concerning the several mandates adopted at our 64th national convention. A copy of this national council of administration resolution with accompanying press release by our Commander in Chief Joseph J. Lombardo is attached.

H.R. 1927 is a bill which could be characterized as a modest liberalization of the existing pension program—referred to as Public Law 86-211. The underlying philosophy of Public Law 86-211 is that war veterans in need should receive a pension, with those veterans in greater need receiving the higher pension payment. This philosophy remains unchanged by H.R. 1927 and the basic structure of Public Law 86-211 remains intact. There is no departure from this basic concept as provided in H.R. 1927.

This bill makes several minor administrative changes in this basic structure, so minor that only about 1 percent of the pension caseload will be affected by these provisions. Secondly, most of the money will go to those with the least income, thereby adhering to the policy laid down in Public Law 86-211, that the greatest benefit should go to those veterans and their widows with the greatest need.

Thirdly, H.R. 1927 addresses itself to veterans suffering from serious health problems—serious disabilities. Not only will there be sharp increases for those veterans so helpless or blind that they must have the aid and attendance of another person to exist from day to day, but it also recognizes there are some veterans who do not meet this stiff requirement, but nevertheless are not much better off. We call them housebound veterans and under the terms of this bill, they will receive an additional \$35 a month in their pension payments. Those receiving aid and attendance will be furnished drugs without having

to go to a VA hospital first, which is a change in procedure for the betterment of both the Veterans' Administration and the veteran.

Fourth, perhaps most important to many, is the new provision concerning retirement benefits which is in response to the 5-percent increase authorized by H.R. 11865, the bill reported out by this committee this Monday last. The social security retirement increase provided under H.R. 11865 will cause some veterans to either have their pension payments reduced or discontinued. By not counting 10 percent of total retirement payments being received, it will more than offset the increase proposed in H.R. 11865.

Most important, this provision is not limited to social security retirement payments but will apply to all types of retirement plans thereby avoiding the charge of discrimination and inequity which is bound to ensue if this provision is limited to social security retirement payments.

It has been alleged that section 3 of this bill makes immediately eligible a large number of veterans who presently cannot qualify for the pension payment. Section 3 would simply remove the requirement that at age 65 a veteran must demonstrate the existence of a 10-percent disability which makes the veteran unemployable.

According to the latest statistics compiled by the Veterans' Administration and printed by the House Committee on Veterans' Affairs in a document entitled "Disposition of Claims by Regional Offices," identified as House committee print No. 220, 88th Congress, 2d session, it states on page 112 under the category of "Disability Pension Claims Denied for Stated Reasons," there were five veterans who were denied a pension because they were age 65 or older but lacked the 10-percent disability requirement. It also states that there were 60 veterans age 65 or older with a 10-percent disability but were employable and therefore disqualified. The 5 veterans failing to qualify because of lack of 10-percent disability, represented 0.1 percent of all denied cases, while the 60 veterans who failed to qualify because of their employability represented 0.8 percent of all cases that were denied.

If we project these figures in a yearly basis there would be 60 veterans who presently cannot qualify because of the disability requirement and 720 veterans who cannot qualify because of the unemployability requirement who would be made eligible for a pension by the elimination of the requirement that a veteran at age 65 must have a 10-percent disability with unemployability attributed to the disability. This projects out to a grand total of 780 cases who have been denied and would become entitled to a pension under the provisions of this section of the bill.

This is quite a contrast to some of the alarming estimates that have been brought to the attention of the Veterans of Foreign Wars, which has estimated that there are 150,000 or more waiting in the wings to get on the pension rolls as soon as this requirement is eliminated.

It has also been alleged that under this same section 3, there are thousands of veterans who would be induced to leave their employment or reduce their earnings to qualify under this provision. Any estimates in this area are speculation of the purest type and with that in mind, the Veterans of Foreign Wars believe that the number who would be in this group are negligible if any.

Assuming therefore that the 780 cases would qualify for an average of \$70 a month, the maximum additional cost would be around \$600,000 a year and this amount will be reduced considerably through reduced costs of administration and medical examination. This is a far cry from the prediction of those in the Bureau of the Budget opposed to this provision and who have estimated that it will cost in the millions if it is approved.

Another misunderstanding concerning this bill is section 7, which excludes all earned income of the wife of a veteran in determining the veteran's income limitation. Presently, in determining a veteran's eligibility for pension the first \$1,200 of the wife's income is excluded and the balance is counted as if it were the veteran's income. Section 7 of this bill will continue to exclude the first \$1,200 of a wife's income or all earned income, whichever is the greater. I emphasize "earned" because unless the veteran's wife is working or gainfully employed, this new provision of not counting earned income will not apply. For example, where the income of the wife of a veteran exceeds \$1,200 a year from bonds or dividends, it will continue to be counted as the veteran's income.

One comment concerning the exclusion of profit realized from the disposition of real or personal property as being counted as income. Many veterans have complained, and quite justly, that while the ownership of a home does not bar the veteran from entitlement to a pension, that for some reason it suddenly becomes income when it is sold. There presently is a net worth or corpus of estate test by which the Veterans' Administration can deny a veteran pension entitlement because of the size of his estate. This provision would change the law to treat or recognize that the sale of a veteran's personal home is not income but merely a change in the form of his estate or assets.

The provision excluding the amounts paid by the veteran for the burial of his wife or child puts the veteran on an equal status with a widow of a veteran who presently excludes amounts paid by her for the burial of a veteran when determining her income limitation for pension purposes. A veteran, of course, has the same obligation to pay for the expenses of the last illness and burial of his wife and children as the widow does in the case of the deceased veteran's last illness and burial. The money spent to pay these expenses is not available for the needs of the veteran and should not be counted against him in determining his eligibility for pension entitlement, so far as his income limitation is concerned.

These, Mr. Chairman, are the comments of the Veterans of Foreign Wars concerning H.R. 1927. As stated, our organization is fully supporting this bill which would provide desirable changes in the non-service-connected disability pension program.

The veterans of World War I now constitute about 90 percent of those receiving a pension. The same ratio holds true concerning the widows of veterans who are receiving a pension. Consequently, World War I veterans and their widows will be the chief beneficiaries of the improvements contained in this bill.

The Veterans of Foreign Wars urges this committee to approve and report this bill at the earliest opportunity and that it be approved by the full Senate before this Congress finally adjourns.

While the bill does not carry out all the mandates of the Veterans of Foreign Wars, it will help thousands of veterans and their widows who are in the direst economic circumstances or have very serious health problems. It is a modest bill that continues the philosophy of Public Law 86-211 but makes improvements and liberalizations to bring this program up to date.

Thank you again for this opportunity to appear here today before this most distinguished committee.

The CHAIRMAN. Thank you very much, Mr. Stover. Any questions? (No response.)

The CHAIRMAN. The next witness is Mr. John R. Dagenais, of the AMVETS.

Take a seat and proceed, sir.

STATEMENT OF JOHN R. DAGENAIS, NATIONAL LEGISLATIVE-SERVICE DIRECTOR, AMVETS

Mr. DAGENAIS. AMVETS appreciate this opportunity to present our views on one of the most pressing matters currently pending before your committee—and I refer specifically to H.R. 1927, which would revise the pension program of veterans of World War I, World War II, and Korea, and their widows and children.

Congress has had to consider many individual bills aimed at perfecting a sound pension program for veterans and their dependents, but AMVETS feel that H.R. 1927 most generally covers the immediate needs of our veterans and answers fairly a good majority of the veterans organizations' legislative platforms.

When the national commander of AMVETS, Edmund M. Gulewicz, appeared before the Subcommittee on Compensation and Pensions, House Veterans' Affairs Committee, on May 21, 1964, he stated at that time, "All new legislation should be compatible with the interests of all veterans rather than any specific group by age, service, or war, because the needs of all veterans are similar."

The only warning that AMVETS have ever sounded is our organization's philosophy that we oppose the creation of pension programs with payments that are not related to a true test of financial need.

One of the major items that we would like to comment on is the matter of pending social security legislation which would allow an increase in benefits. This increase would make it more imperative that H.R. 1927 pass, because under the current provisions of Public Law 86-211, a 5-percent increase in social security benefits would remove many needy veterans from the pension rolls. H.R. 1927 allows for a 10-percent exclusion of that amount received from retirement, annuity, or income plan—including social security—when reporting income each year for pension purposes.

I might say that the social security benefits now being considered and passed by this committee were considering a provision for allowing veterans who were in receipt of pensions but nevertheless H.R. 1927 still covers those other various incomes that are considered annuities and so forth.

There appears on the basis of experience to date, demonstrated inequities between identical pension beneficiaries resulting from the complex task of administration, a sound justification for eliminating the

spouse's income as a consideration for entitlement to veterans' pension. The degree of proof required and the expense of development and adjudication of this consideration in pension cases does not appear to be justified by the results in terms of modification in the levels of pension entitlement.

We are certainly very much in favor of that provision in H.R. 1927 which would allow the Veterans' Administration to presume permanent and total disability for pension purposes at age 65, providing that service and income requirements are met. The savings to the VA in administrative costs makes this, in our opinion, very desirable legislation. Practically all veterans at age 65 can easily meet the minimal 10 percent disability requirement for pension benefits. We feel that legislation to remove the burdensome adjudicative process of establishing the present legal requirements of permanent and total disability for pension purposes is justified.

We wish to add that the liberalizing features of Public Law 86-211 were a substantial boost to the pension program for our Nation's war veterans and that it is still a good law. For that matter, no pension program can be perfect and satisfy every case, but we deeply appreciate the efforts of the House Veterans' Affairs Committee and this distinguished body in making timely revisions and updating that legislation in these areas of veterans' benefits that will meet their changing needs.

Your time is very limited and we want to be brief, so thank you for allowing AMVETS this opportunity and privilege of appearing before you.

The CHAIRMAN. Thank you very much.

Are there any questions?

(No response.)

The CHAIRMAN. Mr. Charles L. Huber, National Legislative Director of Disabled American Veterans, has submitted a letter in lieu of testifying.

(The letter from the DAV follows:)

DISABLED AMERICAN VETERANS,
Washington, D.C., August 14, 1964.

Senator HARRY BYRD,
Chairman, Senate Committee on Finance,
Senate Office Building, Washington, D.C.

DEAR SENATOR BYRD: On May 20, 1964, the Disabled American Veterans appeared before the Subcommittee on Pensions of the House Committee on Veterans' Affairs and expressed our views with respect to pending non-service-connected pension legislation.

In our testimony it was pointed out that "the basic philosophy of the DAV has always been that our Nation's first obligation concerning veterans' benefits is to those who have suffered disabilities as a result of wartime service." We also mentioned that the DAV's position is "not one of flat opposition to any and all pension increases; some may be necessary and desirable, providing that such increases are based on actual need."

In a letter dated May 26, 1964, addressed to the chairman of the Subcommittee on Pensions, Mr. Kornegay, we enlarged upon our previous statement by listing some of the areas where we felt the present pension law should be modified for the benefit of those veterans who are most in need of financial assistance.

Our experience indicated that provisions should be made for "increased monthly pension rates for those veterans found to be in need of regular aid and attendance; special pension rates for veterans who suffer paraplegia or blindness; for pension purposes, the "earned income" of a veterans' wife should be excluded; and additional rate of pension for veterans who, by reason of the

serious nature of their disabilities, are permanently housebound; and, raise the income limitations and increase the monthly pension rates for those who fall within the lowest income bracket."

H.R. 1927, contain these proposed amendments which are in harmony with the "need" concept and conform substantially to the modifications which we suggested. We believe that the approval of H.R. 1927 is "necessary and desirable" and will not jeopardize the service-connected disability compensation program.

Sincerely,

CHARLES L. HUBER,
National Legislative Director.

(The following statement from the American Veterans' Committee was submitted for the record:)

AMERICAN VETERANS COMMITTEE,
Washington, D.C., August 20, 1964.

HON. HARRY F. BYRD,
Chairman, Senate Finance Committee,
Washington, D.C.

DEAR MR. CHAIRMAN: The American Veterans Committee (AVC) opposes the non-service-connected pension bill, H.R. 1927, which recently passed the House of Representatives.

The American Veterans Committee, in the 21 years of its existence, has remained true to its slogan "Citizens First, Veterans Second" and has consistently opposed the idea that the man who spent some time in uniform many years ago, who emerged without a scratch, and who was assisted in regaining his rightful place in civilian society, should now be paid from Government funds to assist him in a situation entirely unrelated to his military service.

The American Veterans Committee firmly believes that the percentage of veterans in the population is now so high that the best way to help the veteran is to improve the country; in other words, that the ills sought to be remedied by the legislation now before the committee should be cured by general legislation, not by veterans legislation.

Enclosed is a marked copy of the platform of the American Veterans Committee as last adopted by the 17th convention held in New York City, May 15-17, 1964.

The American Veterans Committee also opposes the attempt to provide general pensions represented by the elimination of the disability requirement for those veterans over 65.

This is doing by the back door what would appear to be too great a pension grab if done directly and forthrightly. We oppose general pensions for veterans in principle, and we also believe that we should not try to sneak around the public awareness of the country by presuming that every veteran over 65 is disabled.

The American Veterans Committee would appreciate having this letter inserted in the record of the hearings.

Yours respectfully,

PAUL COOKE, *National Chairman.*

VETERANS AND ARMED FORCES AFFAIRS

I. VETERANS' BENEFITS

The American Veterans Committee has constantly reiterated, since its founding, its fundamental belief that rehabilitation and integration of veterans into the community is the proper scope and purpose of a veterans program. The achievement of economic security for veterans through sound economic planning for all citizens rather than through special grants or favors to veterans is basic AVC policy.

For many years, AVC has pointed out the need for a thorough review and reappraisal of this Nation's policies on veterans as follows:

1. We oppose bonuses and general pensions as being class legislation and unrelated to the real needs of individual veterans and tending to set veterans apart from their fellow citizens.

2. Two basic standards should be applied in evaluating veterans' benefits. They are:

A. For death or disability incurred in military service: Are the benefits sufficient to provide a decent standard of living for the veteran, his family, or survivors, taking account of the veteran's ability and opportunity for gainful employment?

B. For all veterans who did not incur disability: Are the benefits so designed as to enable the veteran to readjust from military service to civilian life with minimum economic loss?

3. Veterans' benefits should be administered without regard to race, creed, color, sex, or national origin.

Since benefits are a Federal responsibility, uniform standards of administration and compensation should be applied throughout the Nation.

4. The present scale of compensation for disability, and for compensation to survivors, provides amounts which we believe are not commensurate with an adequate standard of living.

5. Provision should be made to maintain automatically the purchasing power of the benefit dollar. Monetary benefits should be adjusted annually on the basis of the year-to-year change in the Bureau of Labor Statistics, Consumer Price Index.

6. We endorse the proposal of the Bradley Commission that special consideration should be given to disabilities rated at 10 and 20 percent to determine whether significant economic impairment exists. The Government should discharge its financial obligation in static cases rated 10 and 20 percent by an appropriate lump-sum or short-term settlement. AVC proposes that when a disabled veteran with a 10-percent disability has collected \$3,500 and a veteran with 20-percent disability has collected \$7,000, the Government's financial obligation is terminated.

We believe that the present system of periodic reviews of cases of disability of any degree are not really continuously periodic. Therefore, we urge that the VA conduct the reviews regularly. We believe that these reviews should take into consideration whether the present disability remains a handicap to earning a living or to living a normal life. In cases in which this handicap to earning a living has lessened or no longer exists, the disability payment should be graded downward or eliminated.

7. We believe that appointment preference in the civil service of 5 points for nondisabled veterans and of 10 points for disabled veterans should be limited to initial appointment only. In addition we believe that the appointment preference of 10 points should be granted only to seriously disabled veterans (30 percent or higher) and should be limited as follows:

A. No person should receive a position unless he is fully qualified to perform the duties involved.

B. Absolute preference for veterans should not be granted, nor shall any position be reserved for veterans exclusively.

8. We endorse the provision for mustering-out pay as necessary to bridge the gap between military service and civilian life.

9. We urge equalization of benefits, aimed at eliminating differences in the present treatment of veterans, widows, and orphans of World War I, World War II, and Korea.

II. VETERANS' HOUSING

AVC believes that steps must be taken to discourage the practice of discounting, and adding special charges on GI mortgages, during a tight money market. AVC urges that the Secretary of the Treasury invest up to 25 percent of national service life insurance premium reserves in VA guaranteed GI mortgages to provide, if needed, supplementary financing in this field.

AVC urges that the President's Executive Order 11063, which forbids racial discrimination in the sale or lease of housing by persons who obtained a commitment after November 20, 1962, for GI loan guarantees on purchase of housing, must be administered vigorously to fulfill its purpose, and must, in addition, be broadened to apply to all housing financed in whole or in part by funds of institutions aided by the Federal Government through loan insurance or guarantee, or other Government financial aid.

III. PEACETIME GI BILL OF RIGHTS

Experience with the World War GI bill of rights has given ample evidence of the value in increased productivity to the Nation and in the increased taxes to the Government of that law's education and training provisions.

AVC endorses a modified GI bill of rights for peacetime draftees and volunteers who have been on extended active duty. It is our belief that such men who enable our country to maintain peace and meet its commitments and re-

sponsibilities to our allies are entitled to basic readjustment benefits to enable them to return without distress to civilian life at the end of their service and become useful and productive members of their communities.

Therefore, in principle, AVC endorses any peacetime bill of rights which will carry out the principles hereinabove set forth and which will allow for equitable readjustment benefits to peacetime veterans.

IV. GENERAL PENSIONS FOR NON-SERVICE-CONNECTED DISABILITIES

We believe that general pension benefits for non-service-connected disabilities should be eliminated entirely for World War II and Korean veterans due to the greatly expanded social security, public assistance, and veterans' benefits programs which World War I veterans and their dependents were not provided.

We endorse the recommendation of the Bradley Commission, to continue the general pension program for World War I veterans as the reserve line of economic defense.

AVC believes that the Government should rely on the social security program to the greatest possible extent in providing income-maintenance benefits for veterans and nonveterans against some of the economic and medical hazards of life. The VA non-service-connected pension program should be essentially a reserve line of economic defense for veterans and their dependents until such time as their minimum income requirements are met under OASI or through their own sources of income. Benefit and eligibility provisions of this program and OASI should be coordinated to eliminate overlapping and duplication of payments with pensions being reduced by OASI benefits rather than the present reversed situation.

The CHAIRMAN. The committee will adjourn.

(Whereupon, at 11:05 o'clock a.m., the committee was adjourned, to reconvene subject to call of the Chair.)