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EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

ACTION

OCT 2 1974

MEMORANDUM FOR THE PRESIDENT

FROM:

ROY L. ASH *Chinn*

SUBJECT:

VA PENSION TESTIMONY

Background

VA has been called to testify tomorrow before Senator Hartke on pension legislation, which provides a 12% cost of living increase for VA pensioners (payments to aged veterans who do not have a service connected disability). Pensions were last raised January 1 of this year.

Senator Hartke's proposal would add \$202 million to the FY 1975 budget, based on a January 1 effective date; and \$404 million on a full year basis. While the Administration's 1975 budget included \$250 million for pension reform, it did not include funds for an across-the-board increase. The Hartke bill would exacerbate the inequities of the present system.

Issue

Administrator Roudebush recommends very strongly that VA be allowed to favor a cost of living increase. He believes that to do otherwise would lead to demagoguery by the veterans organizations and the Congress, criticizing him and you for lack of compassion for aged veterans.

Adding unbudgeted spending to FY 1975 will further reduce the possibility of reaching your stated goal of \$300 billion. In addition, if VA testifies in favor of a cost of living increase for pensions it will be exceedingly difficult for you to oppose a similar increase in social security benefits.

Recommendation

VA be directed to oppose the Hartke bill and any other cost of living increase for VA pensions at this time. (Cole, Timmons concur. Bill Baroody feels VA should go for the increase, to be justified on cushion affect grounds for poor and aged in our fight against inflation.)

DECISION

Hold the line - No increase
(Cole, Timmons concur.)

Agree AR 4

Disagree _____

Go for increase - FY 1975 Cost - \$202 M
(Baroody)

Agree _____

Disagree _____