The original documents are located in Box 15, folder "12/21/74 S4040 Veterans and Survivors Pension Adjustment Act 1974" of the White House Records Office: Legislation Case Files at the Gerald R. Ford Presidential Library.

Exact duplicates within this folder were not digitized.

THE WHITE HOUSE

WASHINGTON

ACTION

Last Day - December 23

December 20, 1974

Posted in Colorado 12/23

To Archives 12/24

MEMORANDUM FOR: THE PRESIDENT

FROM: KEN COLE

SUBJECT: S. 4040 -- VETERANS AND SURVIVORS PENSION ADJUSTMENT ACT OF 1974

Attached for your consideration is S. 4040, sponsored by Senator Hartke and eight others which would provide a 12% cost-of-living increase, effective January 1, 1975, for veterans or their survivors who are receiving benefits under two VA income maintenance programs, the veterans pension program and the dependents indemnity and compensation program, which provides for parents of veterans who have died of service-connected disabilities. The bill also increases by $400 the maximum income limitations used in determining eligibility under these programs. Certain technical amendments in the pension program and authorization for study of the economic needs of older veterans and widows are also included in this bill.

BACKGROUND:

The Administration has been urging Congress for the last 18 months to reform the veterans pension program in a way which would benefit those veterans with the greatest need. In January 1974, the benefit levels under both programs were increased.

In 1973 and 1974, the Veterans Administration has offered to work with Congress to develop the veterans pension program which would eliminate many of the existing inequities. The draft bill correcting these problems was submitted to Congress in March 1974, and involved estimated budget outlays of $250 million in this fiscal year. We have subsequently requested that the VA pension reform proposal be deferred, but that Congress continue to develop a new program. However, both House and Senate Veterans Committees felt that the cost-of-living benefit increase was warranted, at this time, and both committees approved this bill unanimously. It passed the Senate by voice vote and in the House by a vote of 357 to 1. The budgetary implications of S. 4040 indicate additional budget outlays of over $146 million in FY 1975 and $292 million in FY 1976.

ARGUMENT FOR SIGNING:

Arguments in favor of approval of this legislation emphasize the fact that the 12% increase is consistent with the actual cost of living since the last pension increase in January 1974, and that other population groups have received cost-of-living increases this year. The pensioners would be unfairly penalized by the expected delay before Congress enacts fundamental VA pension reforms.

In preparing his enrolled bill report (Tab A), Roy Ash recommended signing because of the improbability of sustaining a veto. Although a pocket veto is now an alternative, Roy still recommends approval; otherwise, he feels the 94th Congress will surely enact a similar bill if not with a higher cost-of-living increase.

ARGUMENT FOR VETO:

Valid arguments against approving this bill focus on the fact that it is expensive and uncontrollable; it doesn't include the basic reforms which would alleviate much of the inequity in the distribution of these funds, it favors those beneficiaries at the higher levels of income rather than those in greatest need, and increases the cost of future pension reform because the eligible population will be larger than the provisions of S. 4040.

RECOMMENDATIONS:

Recommend signing:

Roy Ash
Richard Roudebush
Bill Baroody
Max Friedersdorf
Philip Areeda
Ken Cole

Recommend veto:

Alan Greenspan
Bill Simon (Albrecht)

DECISION:

S. 4040

GRF Sign (Tab B) ____________ Veto (Prepare memorandum of disapproval)

APPROVED DEC 21 1974

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 18 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 4040 - Veterans and Survivors Pension Adjustment Act of 1974
Sponsor - Sen. Hartke (D) Indiana and 8 others

Last Day for Action

December 23, 1974 - Monday

Purpose

Provides cost-of-living increases and raises the income limitations in the veterans pension and dependents indemnity and compensation (DIC) programs; makes certain technical amendments in the pension program; and authorizes a study of the economic needs of older veterans and widows.

Agency Recommendations

Office of Management and Budget	Approval
Veterans Administration	Approval
Department of the Treasury	Would concur in disapproval recommendation
Council of Economic Advisers	Disapproval

Discussion

S. 4040 would provide a 12 percent cost-of-living increase, effective January 1, 1975, for veterans or their survivors who are receiving benefits under two VA income maintenance programs--the veterans' pension program and the DIC program for parents of veterans who died of service-connected disabilities. It would also increase by $400 the maximum income limitations used in determining eligibility under these programs. The benefits under both programs were last increased in January 1974 (P.L. 93-177).

For the past eighteen months, the Administration has recommended that the Congress examine the entire veterans pension system with a view towards basic reform such as was last achieved in 1960. In hearings in June 1973 on the legislation which became P.L. 93-177, and again in October 1974 on S. 4040, VA pointed out that amendments and other changes in the pension program since 1960 have created serious inequities and inconsistencies which need to be corrected. The result of these changes is a pension program which provides inadequate benefits for the poorest veterans and excessive benefits for those with the least need.

For example, under the present program, various kinds of income--including all of a wife's earnings--are excluded in determining eligibility and the pension amount. Failure to count all financial resources available to the veteran results in pensions being paid to some families with incomes as high as $15,000-$20,000 annually. Moreover, families with widely varying total incomes can receive the same amount of VA pension, depending on the amount of income they may exclude. Another basic problem is the inequitable relationship between benefit payments for veterans and those for widows. Currently, a widow with income of $300 or less a year gets a monthly VA pension of $96, compared with $143 for a veteran having the same income.

In 1973, and again in 1974, VA offered to work with the Congress to develop a proposal which would result in the elimination of existing inequities and would provide all eligible veterans and their dependents with benefits sufficient to satisfy an established standard of need. A draft bill to accomplish this objective was submitted by VA to the Congress on March 15, 1974, involving estimated budget outlays of $250 million in fiscal year 1975. Your 1975 budget restraint package, sent to the Congress on November 26, 1974, recommended that the VA pension reform proposal be deferred, but that the Congress continue its review of reform proposals.

While both the Senate and House Veterans Committees have continued to express interest in working on a reform proposal, they believe additional information and study will be required before they can proceed on what would amount to a fundamental restructuring of the pension system. Accordingly, both committees feel this year, as they did in 1973, that an interim cost-of-living benefit increase is warranted to protect pensioners against the rise in the cost of living since the last benefit increase occurred. As explained below, the increase in the income limits is designed to offset the effects of the two social security benefit increases which occurred in calendar year 1974.

S. 4040 was approved unanimously in both committees. It passed the Senate by voice vote and the House by a vote of 357-1.

Major Provisions of S. 4040

The key provisions of the enrolled bill--increased benefit rates and income limits--were opposed by VA during hearings on S. 4040 in October. VA noted that such increases would be wholly inconsistent with the philosophy underlying the Administration's proposals for restructuring the pension system. Acknowledging that changes in the cost of living affect pensioners, VA stressed the need for making fundamental structural changes in order to eliminate further benefit distortions in the system.

Cost-of-Living Increase.--S. 4040 would provide an approximate 12 percent cost-of-living increase in monthly pensions payable to approximately 1.9 million veterans and their dependents and survivors based on non-service-connected disability or death. Monthly benefits under the DIC program would also be increased by 12 percent for approximately 52,500 parents of veterans who died as a result of service-incurred causes.

Cost-of-living increases would also be provided for veterans and their widows who receive special "aid and attendance" or "housebound" allowances in addition to their regular pension benefit because of their physical condition.

Income Limit Increase--S. 4040 would also raise by $400 the amount of allowable annual income of a veteran or his survivors in determining eligibility for pension or DIC benefits. For unmarried veterans, widows without dependents, and sole surviving parents, the limit would increase from $2,600 to $3,000; for married veterans, widows with dependents, and parents living together, it would rise from $3,800 to $4,200.

To provide some order-of-magnitude data, under current law veteran pensioners with no dependents receive a maximum monthly pension of $143 if their annual income is $300 or less, decreasing on a gradual scale to $28 monthly with an annual income of $2,600. The combined effect of the cost-of-living and income limit increases in S. 4040 would be to provide a maximum monthly rate of $160 with an annual income of $300 or less, declining to $5 monthly for an annual income of $3,000.

As noted earlier, the proposed increase in the income limits in S. 4040 reflects a congressional purpose to offset in some measure the social security (OASI) benefit increases this year. Over 75 percent of the veterans currently receiving pensions also receive OASI benefits. Under present law, 90 percent of the OASI benefit is counted as income in determining eligibility for veterans' pensions. Accordingly, when OASI benefits are raised, veterans who are entitled under both programs receive reduced pensions and some are dropped from the pension rolls entirely.

Through the years, Congress has regularly responded to this situation by enacting higher pension income limits when OASI benefits were raised. In 1971, responding to a pension reform proposal by the Administration, the Congress adopted a new approach which was designed to prevent a net loss of <u>aggregate</u> income for any pensioner remaining on the rolls who receives an increase in outside income. Thus, it accepted the concept that when OASI benefits rise, pensions may decline so long as the pensioner does not lose income in total from the two programs combined. It also accepted the implicit premise that if the OASI benefit increase raised the veteran's income above the pension limit, he should no longer be eligible for the needs-based pension.

The 1972 20-percent increase in OASI benefits brought pressure to undo the reform enacted in 1971 and these pressures have mounted with provision of the 1974 OASI increases.

As a result, the Congress considered last year, and has now included in S. 4040, the increased income limits. VA has estimated that, without this increase, about 75,500 veterans would lose their pension entitlement on January 1, 1975, and 1.5 million veterans and their survivors would find their VA pension checks significantly reduced.

<u>Other provisions</u>--The bill would require the VA to conduct a study of the economic needs and problems of veterans and their widows 72 years of age and older. The study was recommended by the Senate Veterans Committee in connection with its evaluation of the adequacy of the VA pension system and is to be completed within 180 days after the convening of the first session of the 94th Congress.

Certain technical amendments to the pension law included in S. 4040 are explained in the attached VA letter.

<u>Budget impact</u>

The original 1975 Budget included $250 million for the Administration's pension reform proposal. The current 1975 spending plan and 1976 budget decisions, however, provide no funds for new pension legislation, reflecting your decision to defer action on the proposal. VA estimates that S. 4040 would add budget outlays of $146.4 million in fiscal year 1975 and $292.7 million in fiscal year 1976, when it would be effective on a full-year basis.

<u>Arguments in Favor of Approval</u>

1. The proposed 12 percent benefit increase for pensioners is in line with the rise in the cost of living since the last increase in January 1974. By January 1, 1975, the proposed effective date, the consumer price index (CPI) is projected to have risen by 12.3 percent since January 1974.

2. Various elderly population groups have received cost-of-living increases this year (e.g., Federal retirees, social security and railroad retirement beneficiaries, and SSI recipients). Most VA pensioners are aged and while many are eligible for social security benefits, 17 percent have other annual income of only $500 or less. To grant others cost-of-living increases while denying an increase to needy pensioners would be highly inequitable. Moreover, the Administration's reform proposal called for automatic CPI adjustments in pension benefits.

3. Although VA has urged Congress to make fundamental changes in the VA pension system before granting further across-the-board increases, it will be many months at best before Congress acts on this matter. Moreover, the VA has

not requested funds for the reform proposal in the 1976 budget. Under these present circumstances, it would be unfair to pensioners to condition a cost-of-living increase on Congress' enacting a pension reform proposal in the near future.

4. A veto of the bill would most likely be overridden. Even if the bill were to be disapproved by a pocket veto, and further action postponed until the 94th Congress convenes, legislation similar to S. 4040 is likely to be passed again as an "interim" measure pending consideration of reform. Such legislation might contain even higher percentage increases if the CPI continues to rise.

Arguments against approval

1. Approval of S. 4040 would mean concurrence in yet another costly congressional add-on to uncontrollable budget outlays in the face of the Administration's efforts to achieve budget restraint.

2. S. 4040 would not provide for any of the badly-needed reforms of the pension program. It would, in fact, aggravate the inequities and inconsistencies of the present pension system by providing the same percentage increases in benefits across-the-board, regardless of degree of need. The basic thrust of pension reform is to target benefits on those in greatest need, i.e., those with little or no other income.

3. A fundamental problem addressed in the Administration's reform proposal is that an untoward amount of funds is devoted to those at the top level of the income scale. The proposed increase of $400 in the income limits would represent a step backward from the 1971 reform by permitting beneficiaries at the higher levels of income to continue receiving pension payments, which they would not be able to do under present law because of excessive income.

4. The effect of the bill would be to increase the cost of any future pension reform proposal because the eligible population will be larger under its increased income limit provisions.

Recommendations

VA recommends approval of S. 4040. The Administrator states that "Pension and dependency and indemnity compensation for parents are needs programs and, in my view, should keep abreast of the cost of living." VA believes that the increases in rates and income limitations proposed by S. 4040 are generally commensurate with the increase in the cost of living since January 1, 1974.

CEA recommends veto, stating that it is essential that discretionary overadjustment in veterans' pensions and related benefits be stopped or else the transfer burden will continue to grow disproportionately for many years to come.

Treasury states that:

> "In view of the recent increase in veterans' pension benefits, the additional budget expenditures which the enrolled enactment would require, and the fact that the enrolled enactment would not accomplish the basic reforms needed in the pension system, the Department would concur in a recommendation that the enrolled enactment not be approved by the President."

* * * * *

While logic and the adverse budget impact argue strongly that S. 4040 should be vetoed, I have reluctantly concluded that there is no way a veto could be sustained and that a veto could be counterproductive to our longer-range efforts to reform the pension system. Accordingly, I recommend that you sign the bill.

James L. Ash

Director

Enclosures

To -
Warren Hendriks
12-19-74
10 a.m.

EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

DEC 18 1974

MEMORANDUM FOR THE PRESIDENT

Subject: Enrolled Bill S. 4040 - Veterans and Survivors Pension Adjustment Act of 1974
Sponsor - Sen. Hartke (D) Indiana and 8 others

Last Day for Action

December 23, 1974 - Monday

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* * * * *

While logic and the adverse budget impact argue strongly that S. 4040 should be vetoed, I have reluctantly concluded that there is no way a veto could be sustained and that a veto could be counterproductive to our longer-range efforts to reform the pension system. Accordingly, I recommend that you sign the bill.

(Signed) Roy L. Ash

Director

Enclosures

THE WHITE HOUSE

ACTION MEMORANDUM — WASHINGTON — LOG NO.: 794

Date: December 18, 1974 — Time: 10:30 a.m.

FOR ACTION:
Roger Semerad
Max Friedersdorf ok
Phil Areeda ok

cc (for information):
Warren Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 20 — Time: 10:00 a.m.

SUBJECT:
Enrolled Bill S. 4040 - Veterans and Survivors Pension Adjustment Act of 1974

ACTION REQUESTED:

___ For Necessary Action	x___ For Your Recommendations
___ Prepare Agenda and Brief	___ Draft Reply
x For Your Comments	___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

K. R. COLE, JR.
For the President

THE WHITE HOUSE

WASHINGTON

ACTION MEMORANDUM

LOG NO.: 794

Date: December 19, 1974

Time: 10:30 a.m.

FOR ACTION: Roger Semerad
Max Friedersdorf
Phil Areeda

cc (for information): Warren Hendriks
Jerry Jones
Paul Theis

FROM THE STAFF SECRETARY

DUE: Date: Friday, December 20 **Time:** 10:00 a.m.

SUBJECT: Enrolled Bill S. 4040 - Veterans and Survivors Pension Adjustment Act of 1974

ACTION REQUESTED:

___ For Necessary Action

x___ For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

_x_ For Your Comments

___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

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Warren K. Hendriks
For the President

THE WHITE HOUSE

WASHINGTON

December 19, 1974

MEMORANDUM FOR: WARREN HENDRIKS

FROM: MAX L. FRIEDERSDORF *M. F.*

SUBJECT: Action Memorandum - Log No. 794
Enrolled Bill S. 4040 Veterans and Survivors
Pension Adjustment Act of 1974

The Office of Legislative Affairs concurs in the attached proposal and has no additional recommendations.

If bill is not signed we could get a worse one next year.

Attachment

708

THE WHITE HOUSE

ACTION MEMORANDUM WASHINGTON LOG NO.: 794

Date: December 19, 1974 Time: 10:30 a.m.

FOR ACTION: Roger Semerad
Max Friedersdorf
Phil Areeda

cc (for information): Warren Hendriks
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___ Draft Remarks

REMARKS:

Please return to Judy Johnston, Ground Floor West Wing

Sign

P Areeda

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Warren K. Hendriks
For the President

VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420

DECEMBER 1 3 1974

The Honorable
Roy L. Ash
Director, Office of
Management and Budget
Washington, D. C. 20503

Dear Mr. Ash:

I am pleased to respond to the request from the Assistant Director for Legislative Reference for a report on the enrolled enactment of S. 4040, 93d Congress, the proposed "Veterans and Survivors Pension Adjustment Act of 1974."

The measure would (1) increase rates and income limitations relating to non-service-connected disability and death pension for veterans, widows and children under the current program, and increase income limitations under the prior pension system in effect on June 30, 1960; (2) increase rates and income limitations for parents of deceased veterans under the service-connected dependency and indemnity compensation program; (3) authorize death pension for widows and children of certain servicemen whose death in service was not in line of duty; (4) recognize for Veterans Administration benefit purposes a veteran's child whose marriage has been terminated by death or divorce; and (5) direct the Administrator of Veterans Affairs to conduct a study of the needs and problems of veterans and widows 72 years of age or older. The specified effective date is January 1, 1975.

Enclosed for your ready reference are copies of the reports of the Committees of Congress which considered the bill (H. Rept. No. 93-1499; S. Rept. No. 93-1226). They contain the Veterans Administration report of October 3, 1974, to the Senate Committee on Veterans' Affairs, on S. 4040, as introduced, which was submitted after clearance by your Office. The one substantive feature added since our report is set forth in section 9, relating to restoration of VA recognition of certain children who have married.

Section 2 of S. 4040 would increase by approximately 12 percent the monthly rates for veterans under the current pension program, including the housebound and aid and attendance rates, and would increase veterans' annual income limitations by $400. Section 3 would increase widows' monthly pension rates by approximately 12 percent, and would increase their maximum annual income limitations by $400. The latter section would also increase the widow's rate for each child in excess of one from $18 to $20 per month.

Another feature of section 3 is a provision for payment of pension to widows and children of certain persons whose in-service deaths occurred not in line of duty. Enactment would afford death pension for otherwise eligible survivors in cases of the described type upon certification by the Secretary of the service concerned that the deceased had completed at least two years of honorable active service.

Section 4 would increase the monthly pension rate for a surviving child where there is no widow entitled from $44 to $49, and the rate for each additional child from $18 to $20. Also, section 4 would increase a child's unearned annual income limitation from $2,000 to $2,400.

Section 5 of the bill would increase from $55 to $64 the special monthly aid and attendance allowance payable to widows on the pension rolls.

Section 6 of the bill would increase from $2,200 to $2,600 and from $3,500 to $3,900 the applicable maximum income limitations governing payment to persons receiving pension under the prior program in effect on June 30, 1960.

Section 7 would increase by approximately 12 percent the monthly dependency and indemnity compensation payable to eligible surviving parents of persons who died of service-connected causes. Further, it proposes to increase by $400 the applicable maximum income limitations governing the payment of such compensation. Another feature of section 7 is a proposal to increase the monthly aid and attendance allowance payable to parents under the dependency and indemnity compensation program from $55 to $64.

Section 8 would require the Administrator of Veterans Affairs to make an original study of the needs and problems of veterans and widows 72 years of age or older. It further provides that the Administrator shall report to the Congress and the President not later than 180 days after the convening of the first session of the 94th Congress the results of the study together with any recommendations for legislative or administrative action to improve the present program of pension benefits for such veterans and widows.

Section 9 would authorize recognition of a child of a veteran for VA benefit purposes where the marriage of such child has been terminated by death or dissolved by a court with basic authority to render divorce decrees, assuming the absence of fraud and collusion. Under current law, the marriage of a child of a veteran bars benefits to or because of the child unless such marriage was void or annulled by a court with basic authority to render annulment decrees, absent fraud or collusion. The section further provides an effective date of an award or increase of benefits based upon the proposed recognition of a child.

It is estimated that enactment of S. 4040 would cost approximately $146.4 million during fiscal year 1975 (6 months), and that the cost would approximate $292.7 million for fiscal year 1976, gradually increasing to $295.5 million during fiscal year 1979.

The Honorable Roy L. Ash

In our report of October 3, 1974, to the Senate Committee on Veterans' Affairs, we opposed the proposed across-the-board increases in rates and increases in income limitations which would be provided by S. 4040. We urged instead careful consideration to restructuring the pension system along the lines of the draft reform proposal submitted to the Congress on March 15, 1974, but never introduced. Since that report, it is noted that the Administration has recommended that such proposal be deferred. (see page 17 of Supplement to the President's Message of November 26, 1974, on Budget Restraint, H. Doc. No. 93-398.)

Our report also opposed the portion of section 3 authorizing pension in certain cases of death in service not in line of duty. It is felt that said proposal would unwisely equate service from which honorably discharged with service terminated under other than honorable conditions. We do not feel, however, that this relatively minor feature of the bill warrants a veto.

As previously indicated, we have not reported on section 9, relating to restoration of VA recognition of certain children who have married. We have no objection to that proposed liberalization. Its approval would effectuate uniformity with existing provisions of law authorizing restoration of entitlement to certain widows who have remarried.

Pension and dependency and indemnity compensation for parents are needs programs and, in my view, should keep abreast of the cost of living. The Consumer Price Index for October 1974 reflects an increase of 10.6 percent since the pertinent benefit rates were last increased, effective January 1, 1974 (Public Law 93-177). We believe that the increases in rates (12%) and income limitations (10% and 15%) proposed by S. 4040, which would become effective January 1, 1975, are generally commensurate with the increase (known and anticipated) in the cost of living since January 1, 1974.

The Honorable Roy L. Ash

In view of all of the foregoing, I recommend that the President approve S. 4040.

Sincerely,

RICHARD L. ROUDEBUSH
Administrator

Enclosures

THE GENERAL COUNSEL OF THE TREASURY

WASHINGTON, D.C. 20220

DEC 17 1974

Director, Office of Management and Budget
Executive Office of the President
Washington, D. C. 20503

Attention: Assistant Director for Legislative Reference

Sir:

Reference is made to your request for the views of this Department on the enrolled enactment of S. 4040, "To amend title 38 of the United States Code to liberalize the provisions relating to payment of disability and death pension and dependency and indemnity compensation, to increase income limitations, and for other purposes."

The enrolled enactment would increase the rates of pension and the annual income limitations for veterans and their widows and children, and the rates of dependency and indemnity compensation and annual income limitations for their parents. We are advised that, if approved, the measure would add $146 million to the budget in fiscal year 1975 and $292 million in fiscal year 1976.

Public Law 93-177, approved December 6, 1973, provided increased pensions and related benefits for veterans and their survivors. In his message of approval, President Nixon stated that the next step in this area should be to restructure the entire framework of the program to correct inequities and inconsistencies. The enrolled enactment would not provide the needed revisions. In an October 3, 1974 report to the Senate Committee on Veterans' Affairs, the Veterans' Administration stated that S. 4040 was wholly inconsistent with their proposals for restructuring the pension system and opposed its enactment.

In view of the recent increase in veterans' pension benefits, the additional budget expenditures which the enrolled enactment would require, and the fact that the enrolled enactment would not accomplish the basic reforms needed in the pension system, the Department would concur in a recommendation that the enrolled enactment not be approved by the President.

Sincerely yours,

Richard R. Albrecht

General Counsel

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 16, 1974

Dear Mr. Rommel:

This is in response to your request for the views of the Council of Economic Advisers on S. 4040, an act to liberalize the provisions relating to payment of disability and death pension and dependency and indemnity compensation and for other purposes.

Veterans pensions and related benefits have mushroomed in the last few years in seemingly uncontrolled fashion. Although the number of veterans has ceased to grow in relation to the population, this bill would continue the trend of excessive growth in benefits paid to veterans or their dependents.

We can see no reason why income limits and other elements of the benefit computation formulas should be raised by around 20 percent per year, or at least twice as fast as the rate of inflation over the last few years.

It is essential that discretionary overadjustment be stopped by introducing more automatic adjustments which are limited to the increase in the cost of living. Otherwise the transfer burden will continue to grow disproportionately for many years to come.

Hence the Council is opposed to this bill whose first full year cost is estimated to be $300 million. The Council recommends a Presidential veto.

Sincerely,

Alan Greenspan

Mr. Wilfred H. Rommel
Assistant Director for
Legislative Reference
Office of Management and Budget
Washington, D.C. 20503

AMERICAN REVOLUTION BICENTENNIAL 1776-1976

Calendar No. 1165

93D CONGRESS, 2d Session | SENATE | REPORT No. 93–1226

VETERANS AND SURVIVORS PENSION ADJUSTMENT ACT OF 1974

REPORT

OF THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

TO ACCOMPANY

S. 4040

OCTOBER 3, 1974.—Ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
38–010 WASHINGTON : 1974

COMMITTEE ON VETERANS' AFFAIRS

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Calendar No. 1165

93D CONGRESS } SENATE { REPORT
2d Session } { No. 93-1226

VETERANS AND SURVIVORS PENSION ADJUSTMENT ACT OF 1974

OCTOBER 3, 1974.—Ordered to be printed

Mr. HARTKE, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany S. 4040]

The Committee on Veterans' Affairs, to which was referred the bill (S. 4040) to amend title 38 of the United States Code to liberalize the provisions relating to payment of disability and death pension, and dependency and indemnity compensation, to increase income limitations, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill, as amended, do pass.

COMMITTEE AMENDMENTS

Two technical clarifying amendments were made. The amendments are as follows:

Delete the material in brackets and insert the material in italic:

That this Act may be cited as the "Veterans and Survivors Pension Adjustment Act of 1974".

SEC. 2. Section 521 of title 38, United States Code, is amended as follows:

(1) by amending subsection (b) to read as follows:

"(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be $160. For each $1 of annual income in excess of $300 up to and including $500, the monthly rate shall be reduced 3 cents; for each $1 annual income in excess of $500 up to and including $900, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $900 up to and including $1,500, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of $1,500 up to and including $1,900, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of $1,900 up to and including $2,300, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of $2,300 up to and including $3,000,

38-010

the monthly rate shall be reduced 8 cents; but in no event shall the monthly rate of pension be less than $5. No pension shall be paid if annual income exceeds $3,000.";

(2) by amending subsection (c) to read as follows:

"(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child or children, pension shall be paid acccording to the following formula: If annual income is $500 or less, the monthly rate of pension shall be $172 for a veteran and one dependent, $177 for a veteran and two dependents, and $182 for three or more dependents. For each $1 of annual income in excess of $500 up to and including $700, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $700 up to and including $1,800, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of $1,800 up to and including $3,000, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $3,000 up to and including $3,500, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of $3,500 up to and including $3,800, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of $3,800 up to and including $4,000, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of $4,000 up to and including $4,200, the monthly rate shall be reduced 8 cents. No pension shall be paid if annual income exceeds $4,200.";

(3) by amending subsection (d) by striking out "$110" and inserting in lieu thereof "$123"; and

(4) by amending subsection (e) by striking out "$44" and inserting in lieu thereof "$49".

SEC. 3. Section 541 of title 38, United States Code, is amended as follows:

(1) by amending subsection (b) to read as follows:

"(b) If there is no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be $108. For each $1 of annual income in excess of $300 up to and including $600, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $600 up to and including $900, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of $900 up to and including $2,100, the monthly rate shall be reduced 4 cents; and for each $1 of annual income in excess of $2,100 up to and including $3,000, the monthly rate shall be reduced 5 cents; but in no event shall the monthly rate of pension be less than $5. No pension shall be paid if annual income exceeds $3,000.";

(2) by amending subsection (c) to read as follows:

"(c) If there is a widow and one child, pension shall be paid according to the following formula: If annual income is $700 or less, the monthly rate of pension shall be $128. For each $1 of annual income in excess of $700 up to and including $1,100, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $1,100 up to and including $2,100, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $2,100 up to and including $3,000, the monthly rate shall be reduced 3 cents; and for each $1 of annual income in excess of $3,000 up to and including $4,200, the monthly rate shall be reduced 4 cents. Whenever the monthly rate payable to the widow under the foregoing formula is less than the amount which would be payable to the child under section 542 of this title if the widow were not entitled, the widow will be paid at the child's rate. No pension shall be paid if the annual income exceeds $4,200.";

(3) by amending subsection (d) by striking out "$18" and inserting in lieu thereof "$20"; and

(4) by adding at the end thereof the following new subsection:

"(f) As used in this section and section 542 of this title, the term 'veteran' includes a person who has completed at least two years of honorable active military, naval, or air service, as certified by the Secretary [concerned, but whose death in such service was not in line of duty.".] *concerned.*".

SEC. 4. Section 542 of title 38, United States Code, is amended as follows:

(1) by amending subsection (a) by striking out "$44" and "$18" and inserting in lieu thereof "$49" and "$20", respectively; and

(2) by amending subsection (c) by striking out "$2,000" and inserting in lieu thereof "$2,400".

SEC. 5. Section 544 of title 38, United States Code, is amended by striking out "$55" and inserting in lieu thereof "$64".

SEC. 6. Section 4 of Public Law 90–275 (82 Stat. 68) is amended to read as follows:

"SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be $2,600 and $3,900, instead of $2,200 and $3,500, respectively.".

SEC. 7. Section 415 of title 38, United States Code, is amended as follows:

(1) by amending subsection (b) to read as follows:

"(b)(1) Except as provided in paragraph (2) of this subsection, if there is only one parent, dependency and indemnity compensation shall be paid to him according to the following formula: If annual income is $800 or less, the monthly rate of dependency and indemnity compensation shall be $123. For each $1 of annual income in excess of $800 up to and including $1,000, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of $1,000 up to and including $1,300, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $1,300 up to and including $1,600, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of $1,600 up to and including $1,800, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of $1,800 up to and including $2,000, the monthly rate shall be reduced 7 cents; and for each $1 annual income in excess of $2,000 up to and including $3,000, the monthly rate shall be reduced 8 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4. No dependency and indemnity compensation shall be paid if annual income exceeds $3,000.

"(2) If there is only one parent and he has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to him under either the formula of paragraph (1) of this subsection or under the formula in subsection (d), whichever is the greater. In such a case of remarriage the total combined annual income of the parent and his spouse shall be counted in determining the monthly rate of dependency and indemnity compensation under the appropriate formula.";

(2) by amending subsection (c) to read as follows:

"(c) Except as provided in subsection (d), if there are two parents, but they are not living together, dependency and indemnity compensation shall be paid to each according to the following formula: If the annual income of each parent is $800 or less, the monthly rate of dependency and indemnity payable to each shall be $86. For each $1 of annual income in excess of $800 up to and including $1,100, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $1,100 up to and including $2,100, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $2,100 up to and including $2,500, the monthly rate shall be reduced 5 cents; and for each $1 of annual income in excess of $2,500 up to and including $3,000, the monthly rate shall be reduced 6 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4. No dependency and indemnity compensation shall be paid to a parent whose annual income exceeds $3,000.";

(3) by amending subsection (d) to read as follows:

"(d) If there are two parents who are living together, or if a parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such parent according to the following formula: If the total combined annual income is $1,000 or less, the monthly rate of dependency and indemnity compensation payable to each parent shall be $83. For each $1 of annual income in excess of $1,000 up to and including $1,100, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $1,100 up to and including $2,500, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $2,500 up to and including $3,500, the monthly rate shall be reduced 3 cents; and for each $1 of annual income in excess of $3,500 up to and including $4,200, the monthly rate shall be reduced 4 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4. No dependency and indemnity compensation shall be paid to either parent if the total combined annual income exceeds $4,200."; and

(4) by amending subsection (h) by striking out "$55" and inserting in lieu thereof "$64".

[SEC. 8. (a) The Administrator of Veterans' Affairs shall carry out a thorough study and investigation of the economic needs and problems of veterans and their widows seventy-two years of age or older. The study shall include (1) a survey of the current income characteristics of veterans and their widows aged seventy-two years or older, describing their income from all sources, and necessary expenditures for rent, food, medical care, and other items, (2) an evaluation of the adequacy of the veterans pension system for the needs of such veterans, and (3) information concerning the expected mortality rates of such veterans and their widows.

[(b) The Administrator shall report to the Congress and the President not later than one hundred and twenty days after the convening of the first session of the Ninety-fourth Congress the results of the study and investigation carried out under this section, including any recommendation for legislative or administrative action.]

SEC. 8. (a) The Administrator of Veterans' Affairs shall carry out an original study of the needs and problems of veterans and their widows seventy-two years of age or older. The study shall include (1) a profile of the current income characteristics of such veterans and their widows, describing the proportion and amount of income from all sources average necessary for all necessities such as rent, food, medical care, and other items; (2) an evaluation of the adequacy of the present veterans pension system to meet the needs of such veterans and widows; and (3) actuarial information concerning the present expected mortality rates of such veterans and their widows.

(b) The Administrator shall report to the Congress and the President not later than on hundred and twenty days after the convening of the first session of the Ninety-fourth Congress the results of the study carried out under this section together with any recommendations for legislative or administrative action to improve the present program of pension benefits for such veterans and widows.

SEC. 9. This Act shall take effect on January 1, 1975.

INTRODUCTION AND SUMMARY OF S. 4040, AS REPORTED

The Subcommittee on Compensation and Pensions conducted hearings on disability and death pensions for veterans and survivors on October 3, 1974. Among the bills considered during the hearing was Chairman Hartke's bill, S. 4040, "The Veterans and Survivors Pension Adjustment Act of 1974" and S. 2696.

During the hearing on October 3d, the subcommittee received testimony from Senator John O. Pastore, Administration spokesman from the Veterans' Administration, and from representatives of the American Legion, the Veterans of Foreign Wars, the Paralyzed Veterans of America, and the Veterans of World War I.

Following the hearing, the full Committee unanimously approved and ordered favorably reported S. 4040 with amendments.

S. 4040 as reported would:

(1) increase the maximum annual income limitations for eligible veterans and their survivors receiving pension by $400 and provide an average 12-percent increase in the rates of pensions;

(2) increase the maximum annual income limitations of "old law" pensioners by $400;

(3) increase the maximum annual income limitations by $400 for parents receiving dependency and indemnity compensation (DIC) and provide an average 12-percent increase in the rates for DIC;

(4) increase the allowances payable for those in receipt of pension in need of aid and attendance or who are deemed to be housebound by 12 percent;

(5) provide pension benefits for widows and children of certain veterans whose death occurred not in the line of duty but who had previous "honorable service";

(6) authorize a study by the Veterans' Administration of the economic situation in terms of income and needs of veterans age 72 or older to be submitted to the Congress not later than 120 days after the beginning of the 94th Congress; and

(7) provide that the Act become effective on January 1, 1975.

Background and Discussion

Development of the Non-Service-Connected Pension System Prior to the 92d Congress

Pensions based on non-service-connected disability for death of a veteran date back to the Revolutionary War era. Prior to 1960, pensions were provided on the basis of a flat award if the veteran's income did not exceed a specified figure. Public Law 86–211 established a three-level system of pension payments based on need as principally determined by the veteran' income. The largest pensions were paid to those with the least income from other sources and as outside income increases the amount of pension is reduced. Under Public Law 86–211, most veterans then receiving pensions were entitled to higher benefits. Those who had been receiving pensions prior to the change were allowed to continue receiving benefits under the "old law" if they so desired. Presently, some 234,509 or about 10.3 percent of all pensioners continue to receive pension under the "old law."

In 1964, faced with a prospective increase in social security benefits, Congress amended the revised pension law by excluding 10 percent of all payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs in determining the "annual income" of the veteran. Thus, in addition to a general rate increase, the 10-percent exclusion provided for in Public Law 88–664 assured that no individual pensioner would be adversely affected because of the contemplated social security increase. At that time Congress also created another exclusion, and provided that a wife's earned income would not be counted for determining a veteran's outside income and that a wife's unearned income would only be counted in excess of $1,200. This was done in order to provide that funds which went for the maintenance of the spouse were not counted as available to the veteran as annual income.

In 1967, Congress provided an average overall cost-of-living increase of 5.4 percent in Public Law 90–77. The following year in 1968, Congress in Public Law 90–275 again increased pension rates and also provided for a $200 increase in the income limitations which assured that there would be no pension loss because of the 13-percent increase in social security benefits that year. The same act also replaced the three-level system of pension rates with a multi-level increment system. Under the previous three-level system, a slight increase in outside income could result in a disproportionate decrease in a veteran's pension. The enactment of a twenty-plus increment system of $100 graduations permitted a more orderly and gradual reduction in monthly benefits because of a slight increase in outside income.

In 1970, in enacting Public Law 91–588, Congress provided that there would be no loss or reduction of pension because of a 15-percent increase in social security benefits. It raised the current maximum annual income limitations $300 and increased virtually all current law pensions through a raise in the rates payable.

Developments in the Non-Service-Connected Pension Program in the 92d Congress

Under earlier penson laws, despite increasing refinements, the structure of the pension system was such that small increases in outside annual income could result in a sharp drop in pension or being dropped from the pension rolls completely. The problem became particularly acute whenever there were increases in social security or other retirement benefits or other countable income under the current pension program. Whatever social security increases Congress enacted on the on the other. More importantly, the reduction in a veteran's pension was often greater than the increase in social security benefits which resulted in a loss of aggregate income for the veteran or his survivor. Congressional response to these problems over the years has generally been to adjust pensions and increase the maximum annual income limitations to accomplish a "pass along" of social security increases.

In 1971, in response to social security increases that year, Congress enacted Public Law 92–198 which not only increased the pension rates and the maximum annual income limitations but also adopted a new formula approach to the payment of pensions. Designed to prevent the net loss of *aggregate* income for any pensioner who remains in receipt of a pension who received an increase in outside income, the formula specified a maximum monthly rate for each group within designated income categories. Under the formula, each individual's monthly benefit is computed by reducing the maximum rate by a specified number of cents for each dollar by which the maximum income level for that group is exceeded.

For example, currently for a single veteran receiving a pension under section 521 of title 38, United States Code, the maximum monthly pension is $143 based on an annual income of $300 or less. This monthly amount is reduced by 3 cents for each dollar of annual income which exceeds $300 up to and including $800; by 4 cents for each dollar of income in excess $800 up to and including $1,300; by 5 cents for each dollar of income exceeding $1,300 up to and including $1,600; by 6 cents for each dollar of income exceeding $1,600 up to and including $2,200; by 7 cents for each dollar of income exceeding $2,200 up to and including $2,500; and by 8 cents for each dollar of income exceeding $2,500 up to and including $2,600. The minimum monthly rate is $28. No pension for a single veteran is paid if annual income exceeds $2,600.

In July 1972, Congress enacted Public Law 92–336 providing for a 20-percent increase in social security benefits. Approximately 784,000 veterans or 76.6 percent of all veterans currently receiving pensions also receive Old Age or Survivors benefits (OASI). The average benefits as of March 1974 were approximately $1,985. In addition, approximately 694,000 or 75.5 percent of survivors receive social security benefits averaging $1,681. Non-service-connected pensioners receiving OASI broken down by age and average benefits is shown in the following table:

TABLE 1.—NONSERVICE-CONNECTED PENSIONERS WITH OLD AGE SURVIVORS INSURANCE

Veterans	Number with OASI [1]	Total caseload	Percent with OASI	Average OASI
Less than 65	251,600	417,800	60.2	$2,186
65 to 69	93,200	99,500	93.7	1,873
70 to 74	68,400	74,600	91.7	1,845
75 to 79	231,700	260,700	88.9	1,951
80 and over	139,100	170,600	81.5	1,829
Total veterans	784,000	1,023,200	76.6	1,985
Survivors	694,900	920,600	75.5	1,681

[1] Source: 1 percent sample of AIQ's; March 1974.

Note: No age breakout is available for survivors.

Under the new pension formula devised earlier in the 92d Congress, no pensioner who in receipt of a pension who received a social security increase suffered an aggregate loss in income. Pension reductions were less than the social security increase so that veterans and their survivors had a net increase in total income approximating two-thirds of the social security increase. However, approximately 20,000 pensioners consisting of 14,200 veterans and 5,800 survivors were scheduled to be dropped from the pension rolls on January 1, 1973, the effective date of annual revision of entitlement to pension income. Concerned about the effect of social security amendments on pensioners, the Committee held hearings on September 12, 1972 to consider legislation which would ameliorate the adverse impact of social security increases on pensioners and to adjust for continuing inflation. Subsequently, the Committee unanimously ordered reported S. 4006 which would have increased maximum annual income limitations by $400 (the approximate amount of the average social security increase) and would have increased the base pension rates by about 8 percent.

The measure unanimously passed the Senate in the closing days of the session on October 11, 1972 but the House was unable to consider pension legislation prior to sine die adjournment.

Action in the 93d Congress

During the 93d Congress, the Committee has examined a number of approaches for adjusting the pension system. In testimony before the Subcommittee on Compensation and Pensions on June 18, 1973, representatives of the Veterans' Administration asserted that there were a number of "inconsistencies, inequities, and anomalies in the present pension system". They advocated that there be a thorough examination and complete revision of the system but did not offer any formal draft of legislation to accomplish this.

Subsequent to the hearings of June 18, the Senate and House committee staff members met with representatives of the Administration in an attempt to reduce the suggestions in the testimony to a more concrete form. At the meeting, it was obvious that there was a serious lack of pertinent data which would be required by Congress before it can make any rational determination of any proposed new pension system. In general, this information was not forthcoming during 1973, nor did the Committee receive a formal draft proposal. Accordingly, while agreeing to further investigate the entire pension system, the Committee concluded that action was needed on an immediate cost-of-living measure and introduced legislation (S. 275) to accomplish it.

S. 275 was ultimately enacted as Public Law 93–177 and provided for a 10-percent increase in the rates effective January 1, 1974.

In signing Public Law 93–177, on December 6, 1973, the President stated:

> While this bill is a step in the right direction, more can be done—and should be done. As I mentioned in my message to the Congress on national legislative goals on September 10, 1973, full reform of the Veterans' Administration pension program is necessary. The program is currently fraught with inconsistencies, inequities, and anomalies which cannot be corrected unless the entire framework of the program is restructured.
>
> This Administration regards the following principles as vital to a realistic and equitable VA pension program:
>
> > VA pensioners should have some regularized way of receiving cost-of-living adjustments in VA pension payments tied to automatic increases now available to social security recipients.
> >
> > The VA pension program should be restructured to assure that additional income flows to the neediest pensioners. This objective would involve raising VA payments to those pensioners who receive less total income than adult welfare recipients under recent amendments to the Social Security Act. In addition, a family's total income should be considered in determining the amount of pension needed.
> >
> > Veterans and widows should be treated equally with regard to income and pension payments.

In his message on veterans of January 28, 1974, the President repeated the foregoing and stated that he would propose legislation

On March 15, 1974, the Administration submitted a formal draft provision proposal. According to the Administration:

> "The enclosed draft measure would (1) fill the gap between the resources available to a veteran and his dependents and a national minimum standard of need; (2) treat veterans and widows equally with regard to income and benefit amount; (3) eliminate the inequities arising from exclusions of income—consideration of family income as a whole; (4) contain an automatic cost-of-living adjustment working simultaneously with that applicable to social security and eliminate the lag in adjusting pension for increases in income; (5) provide benefits which guarantee a minimum income of $166 per month for a single person and $249 per month for a person with one dependent; (6) provide a hold-harmless provision to permit present recipients of pension to continue receiving benefits under the present provisions of law with a 4-percent rate increase and thereafter, automatic cost-of-living increases.

The full proposal is set forth in the Report under the section entitled "Agency Reports," *infra.*

On receipt of the Administration's formal request the Committee staff at the direction of Chairman Hartke, intensified its efforts to obtain relevant information from the VA with which to assess the full impact of this proposal.

It soon became apparent that the VA lacked basic, timely information in detail. Further it did not have adequate analytical staffing nor an advanced computer model necessary to make an adequate analysis of the Administration's own proposal, let alone possible variations being considered by the Committee. These inadequacies apparently continue. A series of six memoranda have been exchanged with the VA with delays in receiving information from the VA in each case with some information being as late as two months from the Committee's requested deadline. A reply is still to be received from the last memorandum dated August 9, 1974. From information that is currently available to the Committee, it is apparent that the actual proposals made by the VA would be unduly restrictive and unacceptable in operation. Few of the veterans or widows in need of pension could qualify under the new system submitted by the Veterans' Administration. For example, if the proposed pension system were applied to the present population of veterans and widows receiving VA pensions (which is not the VA proposal) almost one-half to two-thirds would be ineligible for receipt of pension under the new system. Accordingly, it is obvious that variations must be considered and additional information will be necessary before the Committee can proceed with any pension restructuring. Thus, additional consideration will be deferred until early next year.

Meanwhile, the Committee believes that it is necessary to proceed with an interim cost-of-living measure in order to protect VA pensioners from the continuing toll of inflation. It should be noted, however, that this bill is thoroughly consistent with the Administration's own pension proposal to protect existing pensioners who could choose not to switch to any new system and instead elect to remain under the present system. Under the Administration proposal, a regular cost-of-living boost would be provided to all pensioners who so remain.

Current Pension Benefits and Characteristics of Pensioners

Under current law, a veteran may be eligible for pension benefits if:

(*a*) He served in the Armed Forces at least 90 days, including at least 1 day of service during wartime;

(*b*) His income does not exceed the limits specified in the law (currently, $2,600 if the veteran is single and $3,800 if he has a dependent);

(*c*) He is permanently and totally disabled (for the purposes of the pension law, veterans age 65 or older are defined as totally disabled); and

(*d*) His net worth is not excessive as determined by the Veterans' Administration.

Widows and children of deceased wartime veterans are also eligible for pension benefits if they are needed.

Currently, for a veteran without dependents the monthly pension rates range from $28 to $143 with a maximum limitation of $2,600 with respect to countable annual income. Rates of $39 to $164 are provided for veterans with dependents where annual countable income does not exceed $3,800. Widows with children are subject to the same income limitations as veterans alone but the pension rates vary from $21 to $96. The 3,800 annual income limitation for veterans with dependents also applies to widows with children. The rates for widows with one child range from $44 to $114. The applicable rate is increased by $18 per month for each child in excess of one.

Currently, there are 1.0 million pensioners of whom 1.3 million are veterans and the remainder are their survivors. The present cost of the non-service-connected pension program is approximately $2.7 billion a year. A significant number of pensioners have little or no other source of income other than their pension. The annual income of pensioners (other than their pensions and excludable income) is shown in the following table:

TABLE 2.—PENSIONERS UNDER CURRENT LAW BY INCOME OTHER THAN PENSIONS

Income range	Veteran alone		Veteran with dependents		Widow alone		Widow with children	
	Number	Percent	Number	Percent	Number	Percent	Number	Percents
Less than $100	80,000	25.1	67,800	12.1	102,400	14.8	10,000	7.0
$101 to $500	6,200	1.9	6,700	1.2	19,700	2.8	4,600	3.2
$501 to $1,000	19,500	6.1	17,400	3.1	41,400	6.0	16,200	11.3
$1,001 to $1,500	59,300	18.6	54,500	9.8	140,800	20.4	24,100	16.8
$1,501 to $2,000	57,900	18.1	92,400	16.6	149,400	21.6	31,300	21.8
$2,001 to $2,500	58,600	18.4	114,700	20.6	150,200	21.7	23,300	16.2
$2,501 to $3,000	36,800	11.5	117,400	21.0	86,200	12.5	12,600	8.8
$3,001 to $3,500	600	.2	53,300	9.6	1,500	.2	11,300	7.9
$3,501 to $4,000	300	.1	33,900	6.1	100	.0	10,300	7.2
Total	319,200	100.0	558,100	100.0	691,700	100.0	143,700	100.0

The following table shows the distribution of all active compensation, dependency and indemnity compensation, pension and retirement cases for all wars and regular establishment as of June 1974.

TABLE 3.—ACTIVE COMPENSATION, DEPENDENCY AND INDEMNITY COMPENSATION, PENSION AND RETIREMENT CASES, ALL WARS AND REGULAR ESTABLISHMENT, MONTH OF JUNE 1974

Entitlement	Disability total cases	Death total cases	Death beneficiaries			
			Total	Widows	Children	Parents
Total	3,241,263	1,627,482	2,294,552	1,154,021	954,823	185,708
Servise-connected	2,210,756	371,202	506,073	203,175	117,190	185,708
Compensation	2,210,756	99,279	112,869	239	54	112,576
Dependency and indemnity compensation		266,549	381,767	197,985	116,812	66,970
Dependency and indemnity compensation and compensation		5,374	11,437	4,951	324	6,162
Nonservice-connected	1,030,046	1,256,245	1,788,443	950,827	837,616	
Public Law 86–211	902,082	1,149,700	1,680,315	845,633	834,682	
Prior law	127,964	106,545	108,128	105,194	2,934	
Special acts	51	35	36	19	17	
Retired emergency officers	408					
Retired reserve officers	2					
World War II	1,866,388	726,870	1,115,106	400,017	592,222	122,867
Service-connected	1,329,774	196,462	232,845	91,224	18,754	122,867
Compensation	1,329,774	79,426	89,228	120	17	89,091
Dependency and indemnity compensation		113,020	135,205	87,322	18,623	29,260
Dependency and indemnity compensation and compensation		4,016	8,412	3,782	114	4,516
Nonservice-connected	536,614	530,408	882,261	308,793	573,468	
Public Law 86–211	526,127	527,044	878,484	305,463	573,021	
Prior law	10,487	3,364	3,777	3,330	447	

TABLE 3.—ACTIVE COMPENSATION, DEPENDENCY AND INDEMNITY COMPENSATION, PENSION AND RETIREMENT CASES, ALL WARS AND REGULAR ESTABLISHMENT. MONTH OF JUNE, 1974—Continued

Entitlement	Disability total cases	Death total cases	Death beneficiaries: Total	Widows	Children	Parents
World War I	499,741	628,528	646,406	616,129	29,771	506
Service-connected	59,148	35,802	36,464	34,820	1,138	506
Compensation	59,148	464	472	64	2	406
Dependency and indemnity compensation		35,328	35,972	34,746	1,136	90
Dependency and indemnity compensation and compensation		10	20	10		10
Nonservice-connected	440,184	592,726	609,942	581,309	28,633	
Public Law 86–211	324,777	512,063	528,395	500,720	27,675	
Prior law	115,407	80,663	81,547	80,589	958	
Special acts	1					
Retired emergency officers	408					
Korean conflict	285,993	130,204	290,098	45,125	219,332	25,641
Service-connected	240,406	39,246	52,999	17,541	9,817	25,641
Compensation	240,406	15,654	18,802	24	17	18,761
Dependency and indemnity compensation		22,609	32,075	16,640	9,756	5,679
Dependency and indemnity compensation and compensation		893	2,122	877	44	1,201
Nonservice-connected	45,587	90,958	237,099	27,584	209,515	
Public Law 86–211	44,483	90,872	236,966	27,503	209,463	
Prior law	1,104	86	133	81	52	
Vietnam era	394,736	64,099	139,779	33,875	84,592	21,312
Service-connected	388,851	50,616	109,674	28,159	60,203	21,312
Compensation	388,851	20	30	8	9	13
Dependency and indemnity compensation		50,569	109,552	28,134	60,148	21,270
Dependency and indemnity compensation and compensation		27	92	17	46	29
Nonservice-connected	5,885	13,483	30,105	5,716	24,389	
Public Law 86–211	5,885	13,483	30,105	5,716	24,389	
Regular establishment	192,607	48,797	73,807	31,177	27,248	15,382
Service-connected	192,555	48,784	73,794	31,164	27,248	15,382
Compensation	192,555	3,715	4,337	23	9	4,305
Dependency and indemnity compensation		44,731	68,666	30,876	27,119	10,671
Dependency and indemnity compensation and compensation		338	791	265	120	406
Special acts	50	13	13	13		
Retired reserve officers	2					
Spanish-American War	1,372	27,922	28,273	26,877	1,396	
Service-connected	9	278	283	261	22	
Compensation	9					
Dependency and indemnity compensation		278	283	261	22	
Nonservice-connected	1,363	27,633	27,979	26,611	1,368	
Public Law 86–211	397	5,739	5,856	5,737	119	
Prior law	966	21,894	22,123	20,874	1,249	
Special acts		11	11	5	6	
Mexican Border Service	426	501	511	496	15	
Service-connected	13	2	2	2		
Compensation	13					
Dependency and indemnity compensation		2	2	2		
Dependency and indemnity compensation and compensation						
Nonservice-connected	413	499	509	494	15	
Public Law 86–211	413	499	509	494	15	
Indian Wars		99	101	83	18	
Service-connected		1	1		1	
Dependency and indemnity compensation		1	1		1	
Nonservice-connected		97	99	82	17	
Prior law		97	99	82	17	
Special acts		1	1	1		
Civil War		462	471	242	229	
Service-connected		11	11	4	7	
Dependency and indemnity compensation		11	11	4	7	
Nonservice-connected		441	449	238	211	
Prior law		441	449	238	211	
Special acts		10	11		11	

Purpose of Bill

Liberalization of Disability and Death Pensions

Given the foregoing, the Committee believes that an interim measure is immediately warranted while it continues to consider overall pension revision. S. 4040 as reported, provides for a $400 increase in the maximum annual income limitations and a 12-percent increase in pension rates. Approximately, 2.3 million veterans and widows would be affected with a Fiscal Year 1975 cost of $145.9 million. Adjusting the formula to reflect these increases, the Committee also wishes to point out the increased refinements in the formula which will produce a smaller impact for the veterans and widows who exceed the maximum annual income limitations. Currently, the *minimum* pension payment for veterans or widows ranges from $21 to $44 a month. Exceeding the maximum annual income limitations can thus mean a substantial reduction of pension income of up to $400 a year for a veteran or his widow. Under S. 4040, as reported, minimum payments would now reduce gradually to a figure of as low as $5 a month which should greatly reduce the impact for those who ultimately do drop from the pension rolls in the future.

The following tables illustrate the current rates payable to veterans and their survivors with typical examples of pensions payable under S. 4040, as reported, which incorporates increases both in the rates payable and the maximum annual income limitations:

TABLE 4.—VETERAN ALONE

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$143	$160	$1,700	$87	$96
$400	140	157	$1,800	81	90
$500	137	154	$1,900	75	84
$600	134	150	$2,000	69	77
$700	131	146	$2,100	63	70
$800	128	142	$2,200	57	63
$900	124	138	$2,300	50	56
$1,000	120	133	$2,400	43	48
$1,100	116	128	$2,500	36	40
$1,200	112	123	$2,600	28	32
$1,300	108	118	$2,700		24
$1,400	103	113	$2,800		16
$1,500	98	108	$2,900		8
$1,600	93	102	$3,000		5

TABLE 5.—VETERAN WITH DEPENDENT

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$154	$172	$2,300	$103	$115
$400	154	172	$2,400	100	111
$500	154	172	$2,500	97	107
$600	152	170	$2,600	94	103
$700	150	168	$2,700	90	99
$800	148	165	$2,800	86	95
$900	145	162	$2,900	82	91
$1,000	142	159	$3,000	78	87
$1,100	139	156	$3,100	74	82
$1,200	136	153	$3,200	70	77
$1,300	133	150	$3,300	65	72
$1,400	130	147	$3,400	60	67
$1,500	127	144	$3,500	55	62
$1,600	124	141	$3,600	50	56
$1,700	121	138	$3,700	45	50
$1,800	118	135	$3,800	39	44
$1,900	115	131	$3,900		37
$2,000	112	127	$4,000		30
$2,100	109	123	$4,100		22
$2,200	106	119	$4,200		14

TABLE 6.—WIDOW ALONE

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$96	$108	$1,700	$57	$64
$400	95	107	$1,800	53	60
$500	94	106	$1,900	49	56
$600	93	105	$2,000	45	52
$700	90	102	$2,100	41	48
$800	87	99	$2,200	37	43
$900	84	96	$2,300	33	38
$1,000	81	92	$2,400	29	33
$1,100	78	88	$2,500	25	28
$1,200	75	84	$2,600	21	23
$1,300	72	80	$2,700		18
$1,400	69	76	$2,800		13
$1,500	65	72	$2,900		8
$1,600	61	68	$3,000		5

TABLE 7.—WIDOW WITH 1 DEPENDENT

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$114	$128	$2,300	$86	$98
$400	114	128	$2,400	84	95
$500	114	128	$2,500	82	92
$600	114	128	$2,600	79	89
$700	114	128	$2,700	76	86
$800	113	127	$2,800	73	83
$900	112	126	$2,900	70	80
$1,000	111	125	$3,000	67	77
$1,100	110	124	$3,100	64	73
$1,200	108	122	$3,200	61	69
$1,300	106	120	$3,300	58	65
$1,400	104	118	$3,400	55	61
$1,500	102	116	$3,500	51	57
$1,600	100	114	$3,600	47	53
$1,700	98	112	$3,700	44	49
$1,800	96	110	$3,800	44	49
$1,900	94	108	$3,900		49
$2,000	92	106	$4,000		49
$2,100	90	104	$4,100		49
$2,200	88	101	$4,200		49

"Old Law" Pensions

Veterans and survivors receiving "old law" pensions under section 9(b) of the Veterans' Pension Act of 1959 who also in receipt of social security benefits suffered pension reductions in January 1973. To counter these reductions, the annual income limitations have been increased to $2,600 and $3,900 from the respective current levels of $2,200 and $3,500. The Veterans' Administration estimates that 27,465 "old law" pensioners will be affected by S. 4040, as reported, at a first year cost of $9.5 million.

Dependency and Indemnity Compensation

Dependency and indemnity compensation (DIC) is paid to needy parents of veterans who died of service-connected disabilities. S. 4040, as reported, also provides for a 12-percent increase in the DIC rates and a $400 increase in the annual income limitations which will affect 68,000 parents at a first year cost of $3.9 million.

The following tables illustrate the current rates payable to dependent parents with typical examples of dependency and indemnity compensation payable under S. 4040, as reported, which incorporates the increases both in the rates and the maximum annual income limitations:

TABLE 8.—1 PARENT

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$800	$110	$123	$2,000	$57	$64
$900	107	120	$2,100	50	56
$1,000	104	117	$2,200	43	48
$1,100	101	113	$2,300	36	40
$1,200	97	109	$2,400	28	32
$1,300	93	105	$2,500	20	24
$1,400	89	100	$2,600	12	16
$1,500	85	95	$2,700		8
$1,600	80	90	$2,800		4
$1,700	75	84	$2,900		4
$1,800	69	78	$3,000		4
$1,900	63	71			

TABLE 9.—2 PARENTS NOT TOGETHER

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$800	$77	$86	$2,000	$38	$44
$900	75	84	$2,100	34	40
$1,000	73	82	$2,200	30	35
$1,100	71	80	$2,300	26	30
$1,200	68	76	$2,400	21	25
$1,300	65	72	$2,500	16	20
$1,400	62	68	$2,600	11	14
$1,500	58	64	$2,700		8
$1,600	54	60	$2,800		4
$1,700	50	56	$2,900		4
$1,800	46	52	$3,000		4
$1,900	42	48			

TABLE 10.—2 PARENTS TOGETHER

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$800	$74	$83	$2,600	$44	$51
$900	74	83	$2,700	42	48
$1,000	74	83	$2,800	40	45
$1,100	73	82	$2,900	38	42
$1,200	72	80	$3,000	35	39
$1,300	70	78	$3,100	32	36
$1,400	68	76	$3,200	29	33
$1,500	66	74	$3,300	26	30
$1,600	64	72	$3,400	23	27
$1,700	62	70	$3,500	20	24
$1,800	60	68	$3,600	17	20
$1,900	58	66	$3,700	14	16
$2,000	56	64	$3,800	11	12
$2,100	54	62	$3,900		8
$2,200	52	60	$4,000		4
$2,300	50	58	$4,100		4
$2,400	48	56	$4,200		4
$2,500	46	54			

Technical Correction in Pension Entitlement

The reported bill would also make a technical amendment to current pension law to eliminate an inequitable and apparently unintended operation of the law.

At present, the survivors of career, *enlisted* personnel with honorable service who otherwise meet the service requirements of the law may qualify for pension benefits regardless of whether or not the serviceman's death was in "line of duty". Such benefits are not presently available to survivors of military officers whose death on active duty was not in "line of duty". The disparity arises because the enlisted man usually reenlists for several tours of duty and hence has prior qualifying periods of "honorable service" whereas the military officer is usually considered to serve continuously from the date of his commission.

In order to correct this obvious inequity, the Committee has incorporated the provisions of S. 2696, sponsored by the Honorable John Pastore of Rhode Island, into section 3 of S. 4040. The VA advises that the cost of this provision will be negligible.

Study of Pensioner's Needs, Age 72 and Older

The Committee continues to be concerned and receive complaints from elderly pensioners about the adequacy of the VA pension system, particularly for World War I veterans and their survivors. As has been the case with certain other VA benefit programs, the Committee has been hampered by a lack of current relevant information about pensioners over the age of 72. The VA does not routinely collect any annual income data about these pensioners. The acquisition of such information is essential for the Committee to assess the economic situation and needs of older veterans and their survivors.

S. 4040, as reported, directs the Administrator to carry out as original study of the needs and problems of veterans and their survivors, age 72 years and older. The Committee has specified that the study shall include (but is not limited to) a survey of the current income characteristics of such persons describing all income from all sources and necessary expenditures for rent, food, medical care, and other items. While the time within which the report must be completed probably precludes a survey of all pensioners affected, the Committee would expect the VA to conduct a statistical sampling of those affected which would provide detailed information. In addition, the VA could supplement this information with existing studies it has conducted, together with other available information on the elderly from other sources.

The study shall also include actuarial information as to the actual and projected mortality experience of such pensioners together with an evaluation of the adequacy of the veterans non-service pension program for their needs.

The study is to be submitted to the Congress and the President within 120 days after the beginning of the 94th Congress, and shall include such legislative recommendations as are warranted to improve present program benefits for veterans and survivors as well as any administrative action which may be taken or contemplated due to the findings of the study. The Committee believes that this information requested and the study will provide a more sound basis for legislative initiatives than presently exists.

Section-by-Section Analysis of S. 4040, as Reported

SECTION 1

This section provides that this Act may be cited as the "Veterans and Survivors Pension Adjustment Act of 1974".

SECTION 2

Clause 1 would increase the rates of pension and the annual income limitation for unmarried veterans under section 521(b). Currently, a veteran with no dependents receives a maximum monthly pension of $143 if his annual income is $300 or less, decreasing on a gradual scale to $28 with an annual income of $2,600. As amended, this section would provide a maximum monthly rate of $160 with an annual income of $300 or less, down to $5 for an annual income of $3,000.

Clause 2 would increase the rates of pension and the annual income limitation for a married veteran under section 521(c). Currently, the maximum monthly pension payable to a veteran with one dependent is $154, with two dependents, $159, and with three or more dependents, $164 based on an annual income of $500 or less. This decreases gradually to $39, $44, and $49, respectively, with an annual income of $3,800. As amended, this section would provide a veteran with one dependent, $172, with two dependents, $177, and with three dependents, $182 based on an income of $500 or less, ranging down to $14, $19, and $24, respectively, with an annual income of $4,200.

Clause 3 provides that the additional allowance payable to those veterans receiving pension who are in need of regular aid and attendance under section 521(d) will be increased from $110 per month to $123 per month.

Clause 4 provides that the additional allowance payable under section 521(e) for those veterans receiving pension who have a disability rated permanent and total, and which is rated 60 percent or more, or are permanently housebound but not eligible for an aid and attendance allowance will be increased from $44 per month to $49.

SECTION 3

Clause 1 would increase the rates of pension and the annual income limitation for a widow without a child under section 521(b). Currently, a widow without a dependent receives a maximum monthly pension of $96 if her annual income is $300 or less, decreasing on a graduated scale to $21 with an annual income of $2,600. As amended, this section would provide a maximum monthly rate of $108 with an annual income of $300, decreasing to $4 with an income of $3,000.

Clause 2 would increase the rates of pension and the annual income limitation for a widow with a dependent under section 541(c). Currently, a widow with one child receives a maximum monthly pension of $114 if her annual income is $700 or less, decreasing on a graduated basis to $44 with an annual income of $3,800. As amended, this section would provide a maximum monthly rate of $128 with an annual income of $700 or less, down to $49 with an annual income of $4,200.

Clause 3 would increase the allowance for each child in the case where there is a widow with more than one child under section 541 (d). Currently, a widow receives $18 per month for each additional child. As amended, this section would provide $20 of each additional child per month.

Clause 4 adds a new subsection (f) to section 541 to amend the definition of a "veteran" for the purposes of that section and section 542 to provide that survivors of a veteran who served at least two years of honorable military service and who meets the other service requirements of section 521(g) but whose death was not in the line of duty would be eligible for pension.

SECTION 4

Clause 1 would provide increases in the rates of pension for children when there is no widow under section 541(a). Currently, one child alone receives $44 per month, with the addition of $18 for each additional child. As amended, this section would provide $49 for the first child and $20 for each additional child.

Clause 2 would provide increases in the annual income limitation for a child under section 542(c). Currently, the annual income limitation is $2,000. As amended, this section would provide an annual income limitation of $2,400.

SECTION 5

This section would provide an increase in the allowance payable to widows who are in receipt of pension and in need of aid and attendance in section 544. Currently, the allowance is $55 per month. As amended, this section would provide an aid and attendance allowance of $64 per month.

SECTION 6.

This section would amend section 4 of Public Law 90–275 (82 Stat. 68) to increase by $400 the maximum annual income limitations applicable under the prior pension program in effect on June 30, 1960: From $2,200 to $2,600 for a veteran without a dependent, or widow without a dependent, or a child alone; and from $3,500 to $3,900 for a veteran with a dependent, and for a widow with a dependent.

SECTION 7

Clause 1 would increase the rates of dependency and indemnity compensation (DIC) and annual income limitations for a sole surviving parent under section 415(b). Currently, a sole surviving parent receives a maximum monthly DIC payment of $110 if his income is less than $800 per annum, decreasing to $12 for an annual income of $2,600. As amended, this section would provide for a maximum monthly rate of $123 with an annual income of $800 or less, down to $4 for an annual income of $3,000.

Clause 2 would increase the rates of dependency and indemnity compensation (DIC) and the annual income limitations for two parents not living together under section 415(c). Currently, each of two parents who are not living together receives a maximum monthly DIC payment of $77 if annual income is $800 or less, decreasing on a graduated scale to $11 with an annual income of $2,600. As amended, this section would provide a maximum monthly rate of $86 with an annual income of $800 or less, down to $4 for an annual income of $3,000.

Clause 3 would increase the rates of dependency and indemnity compensation (DIC) and annual income limitations payable under section 415(d). Currently, if there are two parents who are living together, or if a parent is remarried and is living with his spouse, each parent receives a maximum monthly DIC payment of $74 if annual income is $1,000 or less, decreasing on a graduated scale to $11 with an annual income of $3,800. As amended, this section would provide a maximum monthly rate of $83 with an annual income of $1,000 or less, down to $4 for an annual income of $4,200.

Clause 4 would increase the allowance payable under section 415(h) to parents who are in receipt of dependency and indemnity compensation (DIC) and in need of aid and attendance. Currently, the allowance is $55 per month. As amended, this section would provide an aid and attendance allowance of $64 per month.

SECTION 8

Subsection (*a*) authorizes the Administrator of Veterans' Affairs to conduct a study of the needs and problems of veterans and their widows who are age 72 or older. Included in the study will be (1) a survey of the current income characteristics of such veterans; (2) an evaluation of the adequacy of the veterans pension program for their needs; and (3) an examination of the mortality rate for these individuals.

Subsection (*b*) provides that the study along with legislative or administrative recommendations shall be submitted to the Congress not later than 120 days after the convening of the 1st session of the 94th Congress.

SECTION 9

This section provides that the effective date of this Act shall be January 1, 1975.

Cost Estimates Pursuant to Section 252 of the Legislative Reorganization Act of 1970

In accordance with section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91–510, 91st Congress) the Committee, based on information supplied by the Veterans' Administration estimates that the Fiscal Year 1975 cost to be $145.9 million increasing to $294.5 million at the end of five years. An itemized breakdown of the cost of S.4040, as reported, by categories of beneficiaries and in total for the first five years is shown in the following table:

TABLE 11—5-YEAR COST OF S 4040, AS REPORTED

Year	Cost (millions)
I Current law, 12-percent increase $400 income limit increase:	
1974	$123.2
1975	249.0
1976	251.8
1977	254.3
1978	259.4
II Old law, $400 income limit increase:	
1974	9.5
1975	15.8
1976	12.9
1977	9.8
1978	6.8
III DIC parents, 12-percent increase $400 income limit increase:	
1974	3.9
1975	8.0
1976	8.1
1977	8.1
1978	8.3
IV Increase in children's rates:	
1974	1.0
1975	1.9
1976	1.9
1977	1.8
1978	1.8
V Increase in AID and attendance/housebound rates:	
1974	8.3
1975	17.0
1976	17.5
1977	17.9
1978	18.2
VI Total cost:	
1974	145.9
1975	291.7
1976	292.2
1977	291.9
1978	294.5

Note: January 1, 1974 effective dates assumed for all provisions.

TABULATION OF VOTES CAST IN COMMITTEE

Pursuant to section 133(b) of the Legislative Reorganization Act of 1946, as amended, the following is a tabulation of votes cast in person or by proxy of the Members of the Committee on Veterans' Affairs on a motion to report S. 4040, with amendments, favorably to the Senate:

Yeas—9

Vance Hartke
Herman E. Talmadge
Harold E. Hughes
Jennings Randolph
Alan Cranston
Clifford P. Hansen
Strom Thurmond
Robert T. Stafford
James A. McClure

Nays—0

AGENCY REPORTS

The Committee requested reports on S. 4040, the Veterans and Survivors Pension Readjustment Act of 1974, from the Veterans' Administration and the Office of Management and Budget. The Office of

Management and Budget did not submit a report. The report of the Veterans' Administration follows:

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., October 3, 1974.

Hon. VANCE HARTKE,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

DEAR MR. CHAIRMAN: We are pleased to respond to your request for a report on S. 4040, 93d Congress.

The measure, to be known as the "Veterans and Survivors Pension Adjustment Act of 1974", would provide, among other things, increases in the rates and income limitations relating to non-service-connected disability and death pension for veterans, widows and children under the current program, increases in the rates and income limitations for parents of deceased servicemen under the service-connected dependency and indemnity compensation program, and increases in income limitations for beneficiaries under the protected pension law.

The current pension program under chapter 15 of title 38, United States Code, provides monthly non-service-connected disability or death pension for otherwise eligible veterans of the Mexican border period. World War I, World War II, the Korean conflict, and the Vietnam era, and their widows and children. For a veteran unmarried and without a child, the monthly rates range from $28 to $143 depending upon annual income, which may not exceed $2,600. For a veteran married or with a child, the monthly rates range from $39 to $164 according to the number of dependents and annual income, which may not exceed $3,800. For a widow without a child, the monthly death pension rates range from $21 to $96 depending upon annual income, which may not exceed $2,600. For a widow with one child, the monthly rates range from $44 to $114 depending upon annual income, which may not exceed $3,800, plus $18 additional for each child in excess of one. For children of a deceased veteran where there is no eligible widow, the monthly rates are $44 for the first child and $18 for each additional child, in equal shares, subject to an unearned annual income limitation of $2,000.

The rates of pension and limitations on annual income are different with respect to persons who were receiving pension on June 30, 1960, and who continue to receive benefits under that prior system pursuant to the savings provisions of section 9(b) of the Veterans' Pension Act of 1959 (Public Law 86–211). Applicable annual income limitations are $2,200 for a veteran unmarried and without a child, a widow without a child or a child alone; and $3,500 for a veteran married or with a child, and for a widow with a child.

Under chapter 13 of title 38, United States Code, monthly dependency and indemnity compensation payments are made to widows and certain parents and children of veterans who die of a service-connected cause. Parents' benefits are provided on a sliding scale based on annual income. The income limitations vary according to whether there are one or two parents, and in a case of two parents, whether they are living together or apart. The maximum annual income limitations are

$2,600 for an only parent and for each of two parents living apart, and $3,800 for two parents (including in some cases an only parent who has remarried). The current monthly rates range from $12 to $110 for an only parent, from $11 to $77 for each of two parents not living together, from $11 to $74 for each of two parents living together, and from $11 to $110 for an only parent who has remarried.

Section 2 of S. 4040 would increase by approximately 12 percent the monthly rates for veterans under the current pension program, including the housebound and aid and attendance rates, and would increase their maximum annual income limitations by $400. Section 3 would increase widows' monthly pension rates by approximately 12 percent, and would increase their maximum annual income limitations by $400. The latter section would also increase the rate for each child in excess of one (with a widow) from $18 to $20 per month.

Section 5 of the bill would increase from $55 to $64 the special monthly aid and attendance allowance payable to widows on the pension rolls. Another feature of section 7 is a proposal to similarly increase the monthly aid and attendance allowance payable to parents under the dependency and indemnity compensation program.

Section 4 would increase the monthly pension rate for a surviving child where there is no widow entitled from $44 to $49, and the rate for each additional child from $18 to $20. Also, section 4 would increase a child's unearned annual income limitation from $2,000 to $2,400.

Section 6 of the bill would increase from $2,200 to $2,600 and from $3,500 to $3,900 the applicable maximum income limitations governing payment to persons receiving pension under the prior program in effect on June 30, 1960.

Section 7 would increase by approximately 12 percent the monthly dependency and indemnity compensation payable to eligible surviving parents of persons who died of service-connected causes. Further, it proposes to increase by $400 the applicable maximum income limitations governing the payment of such compensation.

Section 8 would require the Administrator of Veterans Affairs to make a thorough study and investigation of the economic needs and problems of veterans and widows 72 years of age or older, as outlined in subsection (a). Subsection (b) would require that the Administrator report to the Congress and the President not later than 120 days after the convening of the first session of the 94th Congress the results of the study and investigation, including any recommendations for legislative or administration action. Under this section we would contemplate assembling whatever data is available as to the needs of those persons over age 72, and making a report within the time limitation specified.

Section 9 provides an effective date of January 1, 1975.

In addition to the mentioned increases in pension rates and income limitations, section 3 (item 4) would authorize pension benefits for widows and children of certain persons whose in-service deaths occurred not in line of duty. Enactment would afford death pension to otherwise eligible widows and children under such circumstances upon certification by the Secretary concerned that the serviceman had completed at least 2 years of honorable active service. It is assumed that it is intended that a requisite portion of such service was performed during a period of war as provided in 38 U.S.C. 521(g). We do not favor this provision of section 3.

Under current law, if death occurs in service, in order to qualify survivors for dependency and indemnity compensation, such death must be service connected, which requires that it must have been in line of duty. For death pension purposes, it is necessary that the deceased be a veteran. The statutory definition of a veteran includes, among other criteria, that a person has been discharged or released from service. The proposal would unwisely equate service from which honorably discharged with service terminated under other than honorable conditions.

The Veterans Administration submitted to the Congress early this year a draft bill to remove inconsistencies, inequities, and anomalies from the current pension program which would be difficult to correct within the framework of the law as now constituted. Most important is that an untoward amount of those dollars available are devoted to providing pension benefits to those beneficiaries who are at the top limits of the incoming scale. Thus, the basic pension philosophy of providing a proportionate measure of assistance to those who most need it has been distorted. This proposed reform measure is pending before your Committee.

We recognize that while changes in the cost of living affect the pension population as a whole, the greatest impact is felt by those pensioners who are most in need of assistance, that is, those with little or no other source of income. The draft pension proposal, in keeping with the principle of providing pension based on need, would target more dollars to the most needy, rather than provide the same percentage increases to all groups, regardless of demonstrated need.

The across-the-board increases and the increases in income limitations provided by S. 4040 and other related bills under consideration by the Committee are wholly inconsistent with the philosophy underlying our proposals for restructuring the pension system.

It is estimated that enactment of S. 4040 would cost approximately $145.9 million during fiscal year 1975 (6 months), and that the cost would approximate $291.7 million for fiscal year 1976, gradually increasing to $294.5 million during fiscal year 1979.

This will also serve as a report on S. 3269, which would increase maximum annual income limitations for pension under the current program and for dependency and indemnity compensation payable to parents, on S. 3971 insofar as it would provide specific increases in rates and income limitations under the current pension program and on S. 2696 which is identical to item (4) of section 3 of S. 4040.

Accordingly, we oppose enactment of S. 4040, S. 3269, S. 3971, and S. 2696. Instead, we urge the Committee to give careful consideration to restructuring the pension system.

Advice has been received from the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administration's program.

Sincerely,

RICHARD L. ROUDEBUSH,
Administrator.

[No. 103]

COMMITTEE ON VETERANS' AFFAIRS, U.S. SENATE

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., March 15, 1974.

Hon. GERALD R. FORD,
President of the Senate, Washington, D.C.

DEAR MR. PRESIDENT: There is transmitted herewith a draft of a bill to amend title 38 of the United States Code to modify the pension program for veterans of the Mexican border period, World War I, World War II, the Korean conflict or the Vietnam era, and their widows and children. It is requested that the measure be introduced and considered for approval.

In signing Public Law 93–177, the recent pension law, on December 6. 1973, the President stated:

> While this bill is a step in the right direction, more can be done—and should be done. As I mentioned in my message to the Congress on national legislative goals on September 10, 1973, full reform of the Veterans' Administration pension program is necessary. The program is currently fraught with inconsistencies, inequities and anomalies which cannot be corrected unless the entire framework of the program is restructured.
>
> This Administration regards the following principles as vital to a realistic and equitable VA pension program:
>
> VA pensioners should have some regularized way of receiving cost-of-living adjustments in VA pension payments tied to the automatic increases now available to social security recipients.
>
> The VA pension program should be structured to assure that additional income flows to the neediest pensioners. This objective would involve raising VA payments to those pensioners who receive less total income than adult welfare recipients under recent amendments to the Social Security Act. In addition, a family's total income should be considered in determining the amount of pension needed.
>
> Veterans and widows should be treated equally with regard to income and pension payments.

In his message on veterans of January 28, 1974, the President repeated the foregoing principles and stated that he would propose legislation to achieve the mentioned goals. The enclosed draft bill is such a proposal.

At the outset, it would be helpful to review very briefly the background of the present pension program. Until 1960 there was one pension program for periods of war beginning with World War I.

That program had many drawbacks. It did not take into consideration that veterans with less income had degrees of need greater than their fellow war veterans who were near the top of the income limit, or that need increased if the veteran had dependents. It was inequitable in providing for the total exclusion of certain types of income and partial exclusion of others.

Public Law 86–211, which initiated the current pension system, was an attempt to relate the monthly pension payment to the need of the veteran. Three income levels, with proportionate payments, were introduced. That new program fell short, however, of being sensitive to the individual pensioner's needs. When his or her income exceeded the limit of one of the income levels, there could ensue an abrupt disproportionate reduction in total income.

In 1969 the pension program was restructured by enactment of Public Law 90–275, into one hundred dollar income levels and proportionate rates, so that a small increase in income would only bring about a small reduction in pension, as long as a person did not exceed the applicable maximum income limitation.

Approximately three years later, Public Law 92–198 further perfected the program by providing a maximum monthly pension rate for each group of pensioners and a formula under which the rate would be reduced as the person's income increased. In each instance the reduction in pension for every individual who remains within the applicable maximum annual income limitation is less than the countable increase in income. Consequently, the aggregate income for each such person remaining on the rolls is always greater than before the increase in income.

During the foregoing years, there was a tendency to increase income limitations, as well as to broaden exclusions. This is particularly true in the increasing of income limitations to meet each increase in social security. The pension program has inconsistencies, inequities and anomalies which cannot be corrected within the framework of the law as now constituted. Most important is that an untoward amount of those dollars available are devoted to providing pension benefits to those beneficiaries who are at the top limits of the income scale.

The enclosed draft measure would (1) fill the gap between the resources available to a veteran and his dependents and a national minimum standard of need; (2) treat veterans and widows equally with regard to income and benefit amount; (3) eliminate the inequities arising from exclusions of income—consideration of family income as a whole; (4) contain an automatic cost-of-living adjustment working simultaneously with that applicable to social security and eliminate the lag in adjusting pension for increases in income; (5) provide benefits which guarantee a minimum income of $166 per month for a single person and $249 per month for a person with one dependent; (6) provide a hold-harmless provision to permit present recipients of pension to continue receiving benefits under the present provisions of law with a 4-percent rate increase and thereafter, automatic cost-of-living increases. Details of the proposal are set forth further in the enclosed section-by-section analysis.

The estimated costs of the measure for the first five years are as follows:

Fiscal year	(In millions of dollars)
1975	250
1976	275
1977	318
1978	364
1979	412

The substance of the enclosed draft bill has been the subject of conferences between members of my staff and those of the House Committee on Veterans' Affairs and the Senate Committee on Veterans' Affairs. I am encouraged that these concepts have received a sympathetic hearing by these Committees.

We are not submitting this proposal as a final product, but as a vehicle for further discussion. We trust this will result in the development of a full pension reform measure that can be enacted early in this session in Congress.

Advice has been received from the Office of Management and Budget that there is no objection to the submission of the draft legislation and that its enactment would be in accord with the program of the President.

Sincerely

DONALD E JOHNSON,
Administrator

Enclosures

A BILL To amend title 38 of the United States Code to modify the pension program for veterans of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, and their widows and children

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Pension Act of 1974".

SEC. 2. Section 503 of title 38, United States Code, is amended to read as follows:

"§ 503. Determinations with respect to annual income

"(a) In determining annual income under this chapter, all payments of any kind or from any source (including salary, retirement or annuity payments, or similar income, which has been waived, irrespective of whether the waiver was made pursuant to statute, contract, or otherwise) shall be included except—

"(1) donations from public or private relief or welfare organizations;

"(2) amounts equal to amounts paid by a wife of a veteran for the expenses of his last illness, and by a widow or child of a deceased veteran for—

"(A) his just debts,

"(B) the expenses of his last illness, and

"(C) the expenses of his burial to the extent such expenses are not reimbursed under chapter 23 of this title:

"(3) amounts equal to amounts paid—

"(A) by a veteran for the last illness and burial of his deceased spouse or child, or

"(B) by a widow or a wife of a veteran for the last illness and burial of a child of such a veteran;

"(4) proceeds of fire insurance policies;

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

"(6) amounts in joint accounts in banks and similar institutions acquired by reason of death of other joint owner;

"(7) amounts equal to amounts paid by a veteran, widow, or child, for unreimbursed medical expenses for persons prescribed by regulation which exceed 5 per centum of the maximum annual rate of pension authorized under this chapter for any such person.

"(b) Where a fraction of a dollar is involved, annual income shall be fixed at the next lower dollar."

SEC. 3. (a) Section 521(b) of title 38, United States Code, is amended to read as follows:

"(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child to whose support he is reasonably contributing, pension shall be paid monthly at the annual rate of $1,992, reduced by the amount of his annual income."

(b) Section 521(c) of title 38, United States Code, is amended to read as follows:

"(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child to whose support he is reasonably contributing, pension shall be paid monthly at the annual rate of $2,988. If the veteran has two or more such dependents, the rate shall be increased by $264 for each such dependent in excess of one. The rate payable shall be reduced by the amount of his annual income."

(c) Section 521(f)(1) of title 38, United States Code, is amended to read as follows:

"(1) in determining annual income, where a veteran is living with his spouse, income of the spouse shall be considered as income of the veteran;".

(d) Section 521 of title 38, United States Code, is amended by adding the following new subsections at the end thereof:

"(h) Benefits under this section may be paid less frequently than monthly where the amount of the monthly benefit would be less than $5.

"(i) The rates payable under subsections (b) and (c) of this section shall be increased by such percentage as the Secretary of Health, Education, and Welfare shall certify in the Federal Register for social security recipients as a cost-of-living increase under section 215 of the Social Security Act, effective the same date as such latter increase."

SEC. 4. Section 522 of title 38, United States Code, is amended to read as follows:

"§ 522. **Net worth limitation**

"The Administrator shall deny or discontinue payment of pension under section 521 of this title when the corpus of the estate of the veteran, his spouse and children, is such that under all the circumstances, including consideration of the veteran's or spouse's income, it is reasonable that some part of the corpus be consumed for the veteran's maintenance."

SEC. 5. (a) Section 541(b) of title 38, United States Code, is amended to read as follows:

"(b) If there is no child, pension shall be paid monthly at the annual rate of $1,992, reduced by the amount of her annual income."

(b) Section 541(c) of title 38, United States Code, is amended to read as follows:

"(c) If there is a widow and one child, pension shall be paid at the annual rate of $2,988. If the widow has two or more children, the rate shall be increased by $264 for each child in excess of one. The rate payable shall be reduced by the amount of her annual income."

(c) Section 541(d) of title 38, United States Code, is amended to read as follows:

"(d) Benefits under this section may be paid less frequently than monthly where the amount of the monthly benefit would be less than $5."

(d) Section 541 of title 38, United States Code, is amended by adding the following new subsection at the end thereof:

"(f) The rates payable under subsections (b) and (c) of this section shall be increased by such percentage as the Secretary of Health, Education, and Welfare shall certify in the Federal Register for social security recipients as a cost-of-living increase under section 215 of the Social Security Act, effective the same date as such latter increase."

SEC. 6. Section 101(4) of title 38, United States Code, is amended by inserting "(a)" immediately following "(4)" and by adding at the end thereof the following:

"(b) For the purposes of chapter 15 of this title, a person shall not be considered a child of the veteran if he has been adopted out of the family of the veteran or widow."

SEC. 7. Section 3012(b)(4) of title 38, United States Code, is amended to read as follows:

"(4)(a) by reason of change in income through operation of Federal law shall be the day prior to the effective date of the law;

"(b) by reason of change in other income or corpus shall be the last day of the calendar quarter in which the change occurred, except as to persons within the purview of chapter 13 of this title, or the first sentence of section 8(b) of the Veterans' Pension Act of 1974, shall be the last day of the calendar year in which the change occurred;"

SEC. 8. (a) Any claim for pension which is pending in the Veterans' Administration on June 30, 1974, or if to his advantage any claim for disability pension thereafter filed by a veteran within one year from the date prior to July 1, 1974, on which the veteran became permanently and totally disabled, or any claim for death pension filed after June 30, 1974, within one year from the date of death of a veteran which occurred prior to July 1, 1974, shall be adjudicated under title 38, United States Code, in effect on June 30, 1974, with respect to the period before July 1, 1974, and, except as provided in subsection (c), under such title, as amended by this Act, thereafter.

(b) Nothing in this Act shall affect the eligibility of any person receiving pension under chapter 15 of title 38, United States Code, on June 30, 1974, for pension under all applicable provisions of that chapter in effect on that date for such period or periods thereafter with respect to which he can qualify under such provisions. This subsection shall not apply in any case for any period after pension is granted, pursuant to application, under title 38, United States Code, as amended by this Act.

(c) Subsection (b) shall apply to those claims within the purview of subsection (a) in which it is determined that pension is payable for June 30, 1974.

SEC. 9. The monthly rates of pension payable to persons receiving pension pursuant to section 8(b) of this Act at rates prescribed by sections 521(b), 521(c), 541(b), 541(c), and 541(d) of title 38, United States Code, shall be increased by 4 percent effective the date of this Act. Thereafter, such monthly rates shall be increased by such percentage as the Secretary of Health, Education, and Welfare shall certify in the Federal Register for social security recipients as a cost-of-living increase under section 215 of the Social Security Act, effective the same date as such latter increase.

SEC. 10. The second sentence of section 9(b) of the Veterans' Pension Act of 1959 is amended by striking "this Act" and substituting therefor "the Veteran's Pension Act of 1974".

SEC. 11. This Act shall take effect on July 1, 1974.

SECTION-BY-SECTION ANALYSIS OF PROPOSED PENSION REFORM BILL

"A Bill To amend title 38 of the United States Code to modify the pension program for veterans of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, and their widows and children."

The first section provides that the bill may be cited as the "Veterans' Pension Act of 1974".

Section 2 amends 38 U.S.C. 503, which deals with exclusions in determining annual income for pension purposes. Of the 18 existing exclusions, 6 are retained (donations from public or private relief or welfare organizations, last expenses paid by a veteran for a spouse or child or by a widow for the child, fire insurance proceeds, profit from disposition of real or personal property, and amounts in joint bank accounts acquired by reason of death of other joint owner), and one relating to unusual medical expenses is modified. It specifically excludes unreimbursed medical expenses which exceed 5 per centum of the maximum annual rate of pension authorized under this chapter for the class of claimants concerned.

Section 3 amends 38 U.S.C. 521, which prescribes rates of pension for veterans.

Subsection (a) provides for a veteran without an eligible dependent a monthly pension at an annual rate of $1,992, reduced by the amount of the veteran's annual income. Currently, monthly rates range from $28 to $143, depending on the veteran's annual income, which may not exceed $2,600.

Subsection (*b*) provides for a veteran with an eligible dependent a monthly pension at an annual rate of $2,988. If a veteran has two or more such dependents, the annual rate is increased by $264 for each such dependent in excess of one. The rate payable is reduced by the amount of his annual income. Currently, monthly rates range from $39 to $164, depending on the veteran's annual income, not exceeding $3,800 and the number of dependents.

Subsection (*c*) counts all of a spouse's income in determining the veteran's annual income. Currently, all income of the spouse which is reasonably available to or for the veteran in excess of whichever is greater, $1,200 or the total earned income of the spouse, is considered as the income of the veteran.

Subsection (*d*) adds two new subsections; the first authorizes payment of veterans' pension less frequently than monthly where the amount of the monthly benefit would be less than $5, and the second provides for automatic cost-of-living increases to the same extent as authorized under section 215 of the Social Security Act as a cost-of-living increase for social security recipients.

Section 4 amends 38 U.S.C. 522, to include the corpus of the estate of of a veteran's spouse and children in determining his net worth.

Section 5 amends 38 U.S.C. 541, which prescribes rates of pension for widows.

Subsection (*a*) provides for a widow without a child a monthly pension at an annual rate of $1,992, reduced by the amount of the widow's annual income. Currently, monthly rates range from $21 to $96, depending on the widow's annual income, which may not exceed $2,600.

Subsection (*b*) provides for a widow with one child a monthly pension at an annual rate of $2,988. If the widow has two or more children, the rate is increased by $264 for each child in excess of one. The rate payable is reduced by the amount of her annual income. Currently, for a widow and one child monthly rates range from $44 to $114, depending on the widow's annual income, which may not exceed $3,800. An additional $18 is paid to the widow for each additional child.

Subsection (*c*) authorizes payment of widows' pension less frequently than monthly where the amount of the monthly benefit would be less than $5.

Subsection (*d*) provides for automatic cost-of-living increases to the same extent as authorized under section 215 of the Social Security Act as a cost-of-living increase for social security recipients.

Section 6 amends the definition of "child" in 38 U.S.C. 101(4), to provide that for purposes of pension, a person shall not be considered a child of the veteran if he has been adopted out of the family of the veteran or widow.

Section 7 amends 38 U.S.C. 3012(b)(4), which deals with the effective dates of reductions and discontinuances of benefits by reason of change in income or corpus of estate. Persons entitled to pension under the proposed bill, or who continue to receive pension under the current program, who have a change in income by operation of Federal law would have their benefits reduced or discontinued on the day prior to the effective date of the law. By reason of change in other income or corpus the reduction or discontinuance would be the last day of the calendar quarter in which the change occurred except that persons receiving dependency and indemnity compensation or who continue to receive pension under the current program would have their benefits reduced or discontinued on the last day of the calendar year in which the change in corpus or income occurred, as currently provided in section 3012(b)(4).

Section 8 would preserve the eligibility under current law of persons on the rolls on June 30, 1974, as well as those whose claims are pending at that time. The pension program as amended by this Act would, of course, be available to such persons, and if they so elect, it would become the only system under which they might qualify thereafter

Section 9 provides for veterans and widows under the current pension system a 4-percent rate increase effective July 1, 1974, and thereafter, automatic cost-of-living increases to the same extent as authorized under section 215 of the Social Security Act as a cost-of-living increase for social security recipients.

Section 10 permits pensioners receiving benefits under the protected provisions of the Veterans' Pension Act of 1959 (pension paid under the law prior to July 1, 1960) to elect benefits under title 38, as amended by this Act, instead of under title 38, as amended by the Veterans' Pension Act of 1959.

Section 11 provides that the bill shall take effect on July 1, 1974.

Changes in Existing Law Made by the Bill, as Reported

In accordance with subsection (4) of Rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38—UNITED STATES CODE

* * * * * * *

PART II. GENERAL BENEFITS

* * * * * * *

Chapter 13—Dependency and Indemnity Compensation for Service-Connected Deaths

* * * * * * *

SUBCHAPTER II—DEPENDENCY AND INDEMNITY COMPENSATION

* * * * * * *

§ 415. Dependency and indemnity compensation to parents

(a) Dependency and indemnity compensation shall be paid monthly to parents of a deceased veteran in the amounts prescribed by this section.

(b)(1) Except as provided in paragraph (2) of this subsection, if there is only one parent, dependency and indemnity compensation shall be paid to him according to the following formula: If annual income is $800 or less, the monthly rate of dependency and indemnity compensation shall be [$110] *$123*. For each $1 of annual income in excess of $800 up to and including [$1,100] *$1,000*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of [$1,100] *$1,000* up to and including [$1,500] *$1,300*, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of [$1,500] *$1,300* up to and including [$1,700] *$1,600*, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of [$1,700] *$1,600* up to and including [$2,000] *$1,800*, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of [$2,000] *$1,800* up to and including [$2,300] *$2,000*, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of [$2,300] *$2,000* up to and including [$2,600] *$3,000*, the monthly rate shall be reduced 8 cents[.]*; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4*. No dependency and indemnity compensation shall be paid if annual income exceeds [$2,600] *$3,000*.

(2) If there is only one parent and he has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to him under either the formula of paragraph (1) of this subsection or under the formula in subsection (d), whichever is the greater. In such a case of remarriage the total combined annual income of the parent and his spouse shall be counted in determining the monthly rate of dependency and indemnity compensation under the appropriate formula.

(c) Except as provided in subsection (d), if there are two parents, but they are not living together, dependency and indemnity compensation shall be paid to each according to the following formula: If the annual income of each parent is $800 or less, the monthly rate of dependency and indemnity payable to each shall be [$77] *$86*. For each $1 of annual income in excess of $800 up to and including $1.100, the monthly rate shall be reduced 2 cents; [for each $1 of annual income in excess of $1,100 up to and including $1,400, the monthly rate shall be reduced] for each $1 of annual income in excess of [$1,400] *$1,100* up to and including [$2,300] *$2,100*, the monthly rate shall be reduced 4 cents; [and] for each $1 of annual income in excess of [$2,300] *$2,100* up to and including [$2,600] *$2,500*, the monthly rate shall be reduced 5 cents[.]*; and for each $1 of annual income in excess of $2,500 up to and including $3,000, the monthly rate shall be reduced 6 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4*. No dependency and indemnity compensation shall be paid to a parent whose annual income exceeds [$2,600] *$3,000*.

(d) If there are two parents who are living together, or if a parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such parent according to the following formula: If the total combined annual income is $1,000 or less, the monthly rate of dependency and indemnity compensation payable to each parent shall be [$74] *$83*. For each $1 of annual income in excess of $1,000 up to and including [$1,200] *$1,100*, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of [$1,200] *$1,100* up to and including [$2,900] *$2,500*, the monthly rate shall be reduced 2 cents; [and] for each $1 annual income in excess of [$2,900] *$2,500* up to and including [$3,800,] *$3,500*, the monthly rate shall be reduced 3 cents[.]*; and for each $1 of annual income in excess of $3,500 up to and including $4,200, the monthly rate shall be reduced 4 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4*. No dependency and indemnity compensation shall be paid to either parent if the total combined annual income exceeds [$3,800] *$4,200*.

(e) The Administrator shall require as a condition of granting or continuing dependency and indemnity compensation to a parent that such parent, other than one who has attained seveny-two years of age and has been paid dependency and indemnity compensation during two consecutive calendar years, file each year, with him (on the form prescribed by him) a report showing the total income which such parent expects to receive in that year and the total income which such parent received in the preceding year. The parent or parents shall file with the Administrator a revised report whenever there is a material change in the estimated annual income.

(f) If the Administrator ascertains that there have been overpayments to a parent under this section, he shall deduct such overpayments (unless waived) from any future payments made to such parent under this section.

(g)(1) In determining income under this section, all payments of any kind or from any source shall be included, except—

(A) payments of the six months' death gratuity;

(B) donations from public or private relief or welfare organizations;

(C) payments under this chapter (except section 412(a)) and chapters 11 and 15 of this title and under the first sentence of section 9(b) of the Veterans' Pension Act of 1959;

(D) lump-sum death payments under subchapter II of chapter 7 of title 42;

(E) payments of bonus or similar cash gratuity by any State based upon service in the Armed Forces;

(F) payments under policies of servicemen's group life insurance, United States Government life insurance or National Service Life Insurance, and payments of servicemen's indemnity;

(G) 10 per centum of the amount of payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs;

(H) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) a deceased spouse's just debts,

(ii) the expenses of the spouse's last illness to the extent such expenses are not reimbursed under chapter 51 of this title, and

(iii) the expenses of the spouse's burial to the extent that such expenses are not reimbursed under chapter 23 or chapter 51 of this title;

(I) proceeds of fire insurance policies;

(J) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) the expenses of the veteran's last illness, and

(ii) the expenses of his burial to the extent that such expenses are not reimbursed under chapter 23 of this title;

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

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

(M) payments of annuities elected under subchapter I of chapter 73 of title 10.

(2) Where a fraction of a dollar is involved, annual income shall be fixed at the next lower dollar.

(3) The Administrator may provide by regulation for the exclusion from income under this section of amounts paid by a parent for unusual medical expenses.

(h) The monthly rate of dependency and indemnity compensation payable to a parent shall be increased by ⟦$55⟧ *$64* if such parent is (1) a patient in a nursing home or (2) helpless or blind or so nearly helpless or blind as to need or require the regular aid and attendance of another person.

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CHAPTER 15—PENSION FOR NON-SERVICE-CONNECTED DISABILITY OR DEATH OR FOR SERVICE

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SUBCHAPTER II—VETERANS' PENSIONS

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NON-SERVICE-CONNECTED DISABILITY PENSION

§ 521. Veterans of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era

(a) The Administrator shall pay to each veteran of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, who meets the service requirements of this section, and who is permanently and totally disabled from non-service-connected disability not the result of the veteran's willful misconduct or vicious habits, pension at the rate prescribed by this section.

(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be ⟦$143⟧ *$160.* For each $1 of annual income in excess of $300 up to and including ⟦$800⟧ *$500*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of ⟦$800⟧ *$500* up to and including ⟦$1,300⟧ *$900*, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of [$1,300] *$900* up to and including [$1,600] *$1,500*, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of [$1,600] *$1,500* up to and including [$2,000] *$1,900*, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of [$2,000] *$1,900* up to and including [$2,400] *$2,300*, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of [$2,500] *$2,300* up to and including [$2,600] *$3,000*, the monthly rate shall be reduced 8 cents[.]*; but in no event shall the monthly rate of pension be less than $5*. No pension shall be paid if annual income exceeds [$2,600] *$3,000*.

(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child or children, pension shall be paid according to the following formula: If annual income is $500 or less, the monthly rate of pension shall be [$154] *$172* for a veteran and one dependent, [$159] *$177* for a veteran and two dependents, and [$164] *$182* for three or more dependents. For each $1 of annual income in excess of $500 up to and including [$800] *$700*, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of [$800] *$700* up to and including [$2,600] *$1,800*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of [$2,600] *$1,800* up to and including [$3,200] *$3,000*, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of [$3,200] *$3,000* up to and including [$3,700] *$3,500*, the monthly rate shall be reduced 5 cents; [and] for each $1 in excess of [$3,700] *$3,500* up to and including $3,800, the monthly rate shall be reduced 6 cents[.]*; for each $1 of annual income in excess of $3,800 up to and including $4,000, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of $4,000 up to and including $4,200, the monthly rate shall be reduced 8 cents*. No pension shall be paid if annual income exceeds [$3,800] *$4,200*.

(d) If the veteran is in need of regular aid and attendance, the monthly rate payable to him under subsection (b) or (c) shall be increased by [$110] *$123*.

(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 housebound but does not qualify for the aid and attendance rate under subsection (d) of this section, the monthly rate payable to him under subsection (b) or (c) shall be increased by [$44] *$49*.

(f) For the purposes of this section—

(1) in determining annual income, where a veteran is living with his spouse, all income of the spouse which is reasonably available to or for the veteran in excess of whichever is the greater, $1,200 or the total earned income of the spouse, shall be considered as the income of the veteran, unless in the judgment of the Administrator to do so would work a hardship upon the veteran;

(2) a veteran shall be considered as living with a spouse, even though they reside apart, unless they are estranged.

(g) A veteran meets the service requirements of this section if he served in the active military, naval, or air service—

(1) for ninety days or more during either the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era;

(2) during the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, and was discharged or released from such service for a service-connected disability;

(3) for a period of ninety consecutive days or more and such period ended during the Mexican border period or World War I, or began or ended during World War II, the Korean conflict, or the Vietnam era; or

(4) for an aggregate of ninety days or more in two or more separate periods of service during more than one period of war.

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SUBCHAPTER III—PENSIONS TO WIDOWS AND CHILDREN

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MEXICAN BORDER PERIOD, WORLD WAR I, WORLD WAR II, KOREAN CONFLICT AND THE VIETNAM ERA

§ 541. Widows of Mexican border period, World War I, World War II, Korean conflict, or Vietnam era veterans

(a) The Administrator shall pay to the widow of each veteran of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era who met the service requirements of section 521 of this title, or who at the time of his death was receiving (or entitled to receive) compensation or retirement pay for a service-connected disability, pension at the rate prescribed by this section.

(b) If there is no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be [$96] *$108.* For each $1 of annual income in excess of $300 up to and including $600, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $600 up to and including [$1,400] *$900*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of [$1,400] *$900* up to and including [$2,600] *$2,100*, the monthly rate shall be reduced 4 cents; and for each $1 of annual income in excess of $2,100 up to and including $3,000, the monthly rate shall be reduced 5 cents[.]*; but in no event shall the monthly rate of pension be less than $5.* No pension shall be paid if annual income exceeds [$2,600] *$3,000.*

(c) If there is a widow and one child, pension shall be paid according to the following formula: If annual income is $700 or less, the monthly rate of pension shall be [$114] *$128*. For each $1 of annual income in excess of $700 up to and including $1,100, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $1,100 up to and including [$2,500] $2,100, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of [$2,500] *$2,100* up to and including [$3,400] *$3,000*, the monthly rate shall be reduced 3 cents; and for each $1 of annual income in excess of [$3,400] *$3,000* up to and including [$3,800] *$4,200*, the rate shall be reduced 4 cents. Whenever the monthly rate payable to the widow under the foregoing formula is less than the amount which would be payable to the child under section 542 of this title if the widow were not entitled, the widow will be paid at the child's rate. No pension shall be paid if the annual income exceeds [$3,800] *$4,200.*

(d) If there is a widow and more than one child, the monthly rate payable under subsection (c) shall be increased by [$18] *$20* for each additional child.

(e) No pension shall be paid to a widow of a veteran under this section unless she was married to him—

(1) before (A) December 14, 1944, in the case of a widow of a Mexican border period, World War I veteran, or (B) January 1, 1957, in the case of a widow of a World War II veteran, or (C) February 1, 1965, in the case of a widow of a Korean conflict veteran, or (D) before the expiration of ten years following termination of the Vietnam era in the case of a widow of a Vietnam era veteran; or

(2) for one year or more; or

(3) for any period of time if a child was born of the marriage, or was born to them before the marriage.

(f) As used in this section and section 542 of this title, the term "veteran" includes a person who has completed at least two years of honorable active military, naval, or air service, as certified by the Secretary concerned.

§ 542. Children of Mexican border period, World War I, World War II, Korean conflict, or Vietnam era veterans

(a) Whenever there is no widow entitled to pension under section 541 of this title, the Administrator shall pay to the child or children of each veteran of the Mexican border period, World War I, World War II, or the Korean conflict, or the Vietnam era, who met the service requirements of section 521 of this title, or who at the time of his death was receiving (or entitled to receive) compensation or retirement pay for a service-connected disability, pension at the monthly rate of [$44] *$49* for one child, and [$18] *$20* for each additional child.

(b) Pension prescribed by this section shall be paid to eligible children in equal shares.

(c) No pension shall be paid under this section to a child whose annual income, excluding earned income, exceeds [$2,000] *$2,400.*

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§ 544. Aid and attendance allowance

If any widow is entitled to pension under this subchapter and is in need of regular aid and attendance, the monthly rate of pension payable to her shall be increased by **[**$55**]** *$64*.

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PUBLIC LAW 90–275

* * * * * * *

SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be **[**$2,200 and $3,500, instead of $1,900 and $3,200,**]** *$2,600 and $3,900, instead of $2,200 and $3,500*, respectively.

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93D CONGRESS 2d Session } HOUSE OF REPRESENTATIVES { REPORT No. 93–1499

VETERANS AND SURVIVORS PENSION ADJUSTMENT ACT OF 1974

NOVEMBER 26, 1974.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DORN, from the Committee on Veterans' Affairs, submitted the following

REPORT

[To accompany S. 4040]

The Committee on Veterans' Affairs, to whom was referred the bill (S. 4040) to amend title 38 of the United States Code to liberalize the provisions relating to payment of disability and death pension and dependency and indemnity compensation, to increase income limitations, and for other purposes, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

The amendments are as follows:

On page 5, line 14, insert immediately after "concerned" the following: ", but whose death in such service was not in line of duty".

On page 9, line 13, after "sources" insert "and the".

On page 9, line 21, strike out "twenty" and insert in lieu thereof "eighty".

On page 10, between lines 3 and 4, insert the following:

SEC. 9. (a) Subsection (e) of section 103 of title 38, United States Code, is amended—

(1) by adding "(1)" immediately before "The"; and

(2) by adding at the end thereof the following new paragraph:

> (2) The marriage of a child of a veteran shall not bar the recognition of such child as the child of the veteran for benefit purposes if the marriage has been terminated by death or has been dissolved by a court with basic authority to render divorce decrees unless the Veterans Administration determines that the divorce was secured through fraud by either party or collusion.

38–006—74——1

(b) Subsection (1) of section 3010 of title 38, United States Code, is amended to read as follows:

> (1) The effective date of an award of benefits to a widow based upon a termination of a remarriage by death or divorce, or of an award or increase of benefits based on recognition of a child upon termination of the child's marriage by death or divorce, shall be the date of death or the date the judicial decree or divorce becomes final, if an application therefor is received within one year from such termination.

On page 10, line 4, strike out "Sec. 9." and insert "Sec. 10.".

Summary

The Subcommittee on Compensation and Pension conducted hearings on disability and death pensions for veterans and survivors on July 31 and August 1, 6 and 8, 1974. More than 200 bills had been introduced during the 93rd Congress.

During the Subcommittee hearings, testimony was received from the Veterans Administration, the Veterans of Foreign Wars, the American Legion, AMVETS, the Veterans of World War I of the U.S.A., the Paralyzed Veterans of America and Members of Congress.

Following the hearings in the House, the Senate passed and sent to the House S. 4040, the Veterans and Survivors Pension Adjustment Act of 1974.

On November 25, 1974, the full Committee unanimously approved, and ordered favorably reported S. 4040 with amendments. S. 4040 as reported would:

(1) increase the maximum annual income limitations for eligible veterans and their survivors receiving pension by $400 and provide an average 12-percent increase in the rates of pensions;

(2) increase the maximum annual income limitations of "old law" pensioners by $400;

(3) increase the maximum annual income limitations by $400 for parents receiving dependency and indemnity compensation (DIC) and provide an average 12-percent increase in their rates for DIC;

(4) increase the allowances payable for those in receipt of pension in need of aid and attendance or who are deemed to be housebound; also the aid and attendance allowance for DIC parents is increased;

(5) provide pension benefits for widows and children of certain veterans who completed at least two years of honorable active military, naval, or air service, as certified by the Secretary concerned, but whose death in such service was not in line of duty;

(6) authorize a study by the Veterans' Administration of the economic situation in terms of income and needs of veterans and widows age 72 or older to be submitted to the Congress not later than 180 days after the beginning of the 94th Congress;

(7) provide that the marriage of a child of a veteran shall not bar the recognition of such child as the child of the veteran for benefit purposes if the marriage has been terminated by death or has been dissolved by a court with basic authority to render

divorce decrees unless the Veterans Administration determines that the divorce was secured through fraud by either party or collusion; and

(8) provide that the Act become effective on January 1, 1975.

Background and Discussion

Development of the Non-Service-Connected Pension System Prior to the 92d Congress

Pensions based on non-service-connected disability for death of a veteran date back to the Revolutionary War era. Prior to 1960, pensions were provided on the basis of a flat award if the veteran's income did not exceed a specified figure. Public Law 86–211 established a three-level system of pension payments based on need as principally determined by the veteran' income. The largest pensions were paid to those with the least income from other sources and as outside income increases the amount of pension is reduced. Under Public Law 86–211, most veterans then receiving pensions were entitled to higher benefits. Those who had been receiving pensions prior to the change were allowed to continue receiving benefits under the "old law" if they so desired. Presently, some 234,509 or about 10.3 percent of all pensioners continue to receive pension under the "old law."

In 1964, faced with a prospective increase in social security benefits, Congress amended the revised pension law by excluding 10 percent of all payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs in determining the "annual income" of the veteran. Thus, in addition to a general rate increase, the 10-percent exclusion provided for in Public Law 88–664 assured that no individual pensioner would be adversely affected because of the contemplated social security increase. At that time Congress also created another exclusion, and provided that a wife's earned income would not be counted for determining a veteran's outside income and that a wife's unearned income would only be counted in excess of $1,200. This was done in order to provide that funds which went for the maintenance of the spouse were not counted as available to the veteran as annual income.

In 1967, Congress provided an average overall cost-of-living increase of 5.4 percent in Public Law 90–77. The following year in 1968, Congress in Public Law 90–275 again increased pension rates and also provided for a $200 increase in the income limitations which assured that there would be no pension loss because of the 13-percent increase in social security benefits that year. The same act also replaced the three-level system of pension rates with a multi-level increment system. Under the previous three-level system, a slight increase in outside income could result in a disproportionate decrease in a veteran's pension. The enactment of a twenty-plus increment system of $100 graduations permitted a more orderly and gradual reduction in monthly benefits because of a slight increase in outside income.

In 1970, in enacting Public Law 91–588, Congress provided that there would be no loss or reduction of pension because of a 15-percent increase in social security benefits. It raised the current maximum annual income limitations $300 and increased virtually all current law pensions through a raise in the rates payable.

Developments in the Non-Service-Connected Pension Program in the 92d Congress

Under earlier pension laws, despite increasing refinements, the structure of the pension system was such that small increases in outside annual income could result in a sharp drop in pension or being dropped from the pension rolls completely. The problem became particularly acute whenever there were increases in social security or other retirement benefits or other countable income under the current pension program. Whatever social security increases Congress enacted on the other. More importantly, the reduction in a veteran's pension was often greater than the increase in social security benefits which resulted in a loss of aggregate income for the veteran or his survivor. Congressional response to these problems over the years has generally been to adjust pensions and increase the maximum annual income limitations to accomplish a "pass along" of social security increases.

In 1971, in response to social security increases that year, Congress enacted Public Law 92–198 which not only increased the pension rates and the maximum annual income limitations but also adopted a new formula approach to the payment of pensions. Designed to prevent the net loss of *aggregate* income for any pensioner who remains in receipt of a pension who received an increase in outside income, the formula specified a maximum monthly rate for each group within designated income categories. Under the formula, each individual's monthly benefit is computed by reducing the maximum rate by a specified number of cents for each dollar by which the maximum income level for that group is exceeded.

For example, currently for a single veteran receiving a pension under section 521 of title 38, United States Code, the maximum monthly pension is $143 based on an annual income of $300 or less. This monthly amount is reduced by 3 cents for each dollar of annual income which exceeds $300 up to and including $800; by 4 cents for each dollar of income in excess of $800 up to and including $1,300; by 5 cents for each dollar of income exceeding $1,300 up to and including $1,600; by 6 cents for each dollar of income exceeding $1,600 up to and including $2,200; by 7 cents for each dollar of income exceeding $2,200 up to and including $2,500; and by 8 cents for each dollar of income exceeding $2,500 up to and including $2,600. The minimum monthly rate is $28. No pension for a single veteran is paid if annual income exceeds $2,600.

In July 1972, Congress enacted Public Law 92–336 providing for a 20-percent increase in social security benefits. Approximately 784,000 veterans or 76.6 percent of all veterans currently receiving pensions also receive Old Age or Survivors benefits (OASI). The average benefits as of March 1974 were approximately $1,985. In addition, approximately 694,000 or 75.5 percent of survivors receive social security benefits averaging $1,681. Non-service-connected pensioners receiving OASI broken down by age and average benefits is shown in the following table:

TABLE 1.—NONSERVICE-CONNECTED PENSIONERS WITH OLD AGE SURVIVORS INSURANCE

Veterans	Number with OASI [1]	Total caseload	Percent with OASI	Average OASI
Less than 65	251,600	417,800	60.2	$2,186
65 to 69	93,200	99,500	93.7	1,873
70 to 74	68,400	74,600	91.7	1,845
75 to 79	231,700	260,700	88.9	1,951
80 and over	139,100	170,600	81.5	1,829
Total veterans	784,000	1,023,200	76.5	1,985
Survivors	694,900	920,600	75.5	1,681

[1] Source: 1 percent sample of AIQ's; March 1974.

Note: No age breakout is available for survivors.

Under the new pension formula devised earlier in the 92d Congress, no pensioner who received a social security increase and remained on the pension rolls suffered an aggregate loss in income. Pension reductions were less than the social security increase so that such veterans and their survivors had a net increase in total income approximating two-thirds of the social security increase.

Action in the 93d Congress

During the 93d Congress more than 200 bills were introduced and referred to the Committee to amend the present pension program. The Subcommittee on Compensation and Pension held hearings on June 12, 13, 14 and 19, 1973. In testimony before the Subcommittee on June 13, Veterans' Administration officials recommended "an examination of the entire pension program with a view toward basic reform. . . ."

Following the hearings, the House and Senate Committee staff members met with representatives of the Administration in an attempt to reduce the suggestions in the testimony to a more concrete form. At the meeting, it was apparent that additional pertinent data would be required by Congress before making any decision pertaining to any proposed new pension system. The necessary information and data was not forthcoming during 1973. Accordingly, while agreeing to further investigate the entire pension system, the Committee concluded that action was needed on an immediate cost-of-living measure and introduced legislation (H.R. 9474) to accomplish it. H.R. 9474 was ultimately enacted as Public Law 93–177 and provided for a 10 percent increase in the rates effective January 1, 1974.

In signing Public Law 93–177, on December 6, 1973, the President stated:

> While this bill is a step in the right direction, more can be done—and should be done. As I mentioned in my message to the Congress on national legislative goals on September 10, 1973, full reform of the Veterans' Administration pension program is necessary. The program is currently fraught with inconsistencies, inequities, and anomalies which cannot be corrected unless the entire framework of the program is restructured.

This Administration regards the following principles as vital to a realistic and equitable VA pension program:

VA pensioners should have some regularized way of receiving cost-of-living adjustments in VA pension payments tied to automatic increases now available to social security recipients.

The VA pension program should be restructured to assure that additional income flows to the neediest pensioners. This objective would involve raising VA payments to those pensioners who receive less total income than adult welfare recipients under recent amendments to the Social Security Act. In addition, a family's total income should be considered in determining the amount of pension needed.

Veterans and windows should be treated equally with regard to income and pension payments.

In his message on veterans of January 28, 1974, the President repeated the foregoing and stated that he would propose legislation.

On March 15, 1974, the Administration submitted a formal draft provision proposal. According to the Administration:

"The enclosed draft measure would (1) fill the gap between the resources available to a veteran and his dependents and a national minimum standard of need; (2) treat veterans and widows equally with regard to income and benefit amount; (3) eliminate the inequities arising from exclusions of income—consideration of family income as a whole; (4) contain an automatic cost-of-living adjustment working simultaneously with that applicable to social security and eliminate the lag in adjusting pension for increases in income; (5) provide benefits which guarantee a minimum income of $166 per month for a single person and $249 per month for a person with one dependent; (6) provide a hold-harmless provision to permit present recipients of pension to continue receiving benefits under the present provisions of law with a 4-percent rate increase and thereafter, automatic cost-of-living increases.

The full proposal is set forth in this Report under the section entitled "Agency Reports," infra.

After careful review and analysis of the Administration's formal draft proposal, the Committee feels additional information and study will be necessary before the Committee can proceed with any pension reform measure. In the meantime, the Committee believes it is necessary to proceed with an interim cost-of-living measure in order to protect VA pensioners from the continuing toll of inflation, and minimize any potential adverse impact on pension entitlement by reason of increases in Social Security or in other income maintenance plans.

Current Pension Benefits and Characteristics of Pensioners

Under current law, a veteran may be eligible for pension benefits if:

(*a*) He served in the Armed Forces at least 90 days, including at least 1 day of service during wartime;

(*b*) His income does not exceed the limits specified in the law (currently, $2,600 if the veteran is single and $3,800 if he has a dependent);

(*c*) He is permanently and totally disabled (for the purposes of the pension law, veterans age 65 or older are defined as totally disabled); and

(*d*) His net worth is not excessive as determined by the Veterans' Administration.

Widows and children of deceased wartime veterans are also eligible for pension benefits if they are needed.

Currently, for a veteran without dependents the monthly pension rates range from $28 to $143 with a maximum limitation of $2,600 with respect to countable annual income. Rates of $39 to $164 are provided for veterans with dependents where annual countable income does not exceed $3,800. Widows with children are subject to the same income limitations as veterans alone but the pension rates vary from $21 to $96. The $3,800 annual income limitation for veterans with dependents also applies to widows with children. The rates for widows with one child range from $44 to $114. The applicable rate is increased by $18 per month for each child in excess of one.

Currently, there are 2.3 million pensioners of whom 1.3 million are veterans and the remainder are their survivors. The present cost of the non-service-connected pension program is approximately $2.7 billion a year. A significant number of pensioners have little or no other source of income other than their pension. The annual income of pensioners (other than their pensions and excludable income) is shown in the following table:

TABLE 2.—PENSIONERS UNDER CURRENT LAW BY INCOME OTHER THAN PENSIONS

Income range	Veteran alone		Veteran with dependents		Widow alone		Widow with children	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than $100	80,000	25.1	67,800	12.1	102,400	14.8	10,000	7.0
$101 to $500	6,200	1.9	6,700	1.2	19,700	2.8	4,600	3.2
$501 to $1,000	19,500	6.1	17,400	3.1	41,400	6.0	16,200	11.3
$1,001 to $1,500	59,300	18.6	54,500	9.8	140,800	20.4	24,100	16.8
$1,501 to $2,000	57,900	18.1	92,400	16.6	149,400	21.6	31,300	21.8
$2,001 to $2,500	58,600	18.4	114,700	20.6	150,200	21.7	23,300	16.2
$2,501 to $3,000	36,800	11.5	117,400	21.0	86,200	12.5	12,600	8.8
$3,001 to $3,500	600	.2	53,300	9.6	1,500	.2	11,300	7.9
$3,501 to $4,000	300	.1	33,900	6.1	100	.0	10,300	7.2
Total	319,200	100.0	558,100	100.0	691,700	100.0	143,700	100.0

The following table shows the distribution of all active compensation, dependency and indemnity compensation, pension and retirement cases for all wars and regular establishment as of June 1974.

TABLE 3.—ACTIVE COMPENSATION, DEPENDENCY AND INDEMNITY COMPENSATION, PENSION AND RETIREMENT CASES, ALL WARS AND REGULAR ESTABLISHMENT, MONTH OF JUNE 1974

Entitlement	Disability total cases	Death total cases	Death beneficiaries			
			Total	Widows	Children	Parents
Total	3,241,263	1,627,482	2,294,552	1,154,021	954,823	185,708
Service-connected	2,210,756	371,202	506,073	203,175	117,190	185,708
Compensation	2,210,756	99,279	112,869	239	54	112,576
Dependency and indemnity compensation		266,549	381,767	197,895	116,812	66,970
Dependency and indemnity compensation and compensation		5,374	11,437	4,951	324	6,162
Nonservice-connected	1,030,046	1,256,245	1,788,443	950,827	837,616	
Public Law 86-211	902,082	1,149,700	1,680,315	845,633	834,682	
Prior law	127,964	106,545	108,128	105,194	2,934	
Special acts	51	35	36	19	17	
Retired emergency officers	408					
Retired reserve officers	2					
World War II	1,866,388	726,870	1,115,106	400,017	592,222	122,867
Service-connected	1,329,774	196,462	232,845	91,224	18,754	122,867
Compensation	1,329,774	79,426	89,228	120	17	89,092
Dependency and indemnity compensation		113,020	135,205	87,322	18,623	29,260
Dependency and indemnity compensation and compensation		4,016	8,412	3,782	114	4,516
Nonservice-connected	536,614	530,408	822,261	308,793	573,468	
Public Law 86-211	526,127	527,044	878,484	305,463	573,021	
Prior law	10,487	3,364	3,777	3,330	447	
World War I	499,741	628,528	646,406	616,129	29,771	506
Service-connected	59,148	35,802	36,464	34,820	1,138	506
Compensation	59,148	464	472	64	2	406
Dependency and indemnity compensation		35,328	35,972	34,746	1,136	90
Dependency and indemnity compensation and compensation		10	20	10		10
Nonservice-connected	440,184	592,726	609,942	581,309	28,633	
Public Law 86-211	324,777	512,063	528,395	500,720	27,675	
Prior law	115,407	80,663	81,547	80,589	958	
Special acts	1					
Retired emergency officers	408					
Korean conflict	285,993	130,204	290,098	45,125	219,332	25,641
Service-connected	240,406	39,246	52,999	17,541	9,817	25,641
Compensation	240,406	15,654	18,802	24	17	18,761
Dependency and indemnity compensation		22,609	32,075	16,640	9,756	5,679
Dependency and indemnity compensation and compensation		893	2,122	877	44	1,201
Nonservice-connected	45,587	90,958	237,099	27,584	209,515	
Public Law 86-211	44,483	90,872	236,966	27,503	209,463	
Prior law	1,104	86	133	81	2	
Vietnam era	394,736	64,099	139,779	33,875	84,592	21,312
Service-connected	388,851	50,616	109,674	28,159	60,203	21,312
Compensation	388,851	20	30	8	9	13
Dependency and indemnity compensation		50,569	109,552	28,134	60,148	21,270
Dependency and indemnity compensation and compensation		27	92	17	46	29
Nonservice-connected	5,885	13,483	30,105	5,716	24,389	
Public Law 86-211	5,885	13,483	30,105	5,7 6	24,389	
Regular establishment	192,607	48,797	73,807	31,177	27,248	15,382
Service-connected	192,555	48,784	73,794	31,164	27,248	15,382
Compensation	192,555	3,715	4,337	23	9	4,305
Dependency and indemnity compensation		44,731	68,666	30,876	27,119	10,671
Dependency and indemnity compensation and compensation		338	791	265	120	406
Special acts	50	13	13	13		
Retired reserve officers	2					
Spanish-American War	1,372	27,922	28,273	26,877	1,396	
Service-connected	9	278	283	261	22	
Compensation	9					
Dependency and indemnity compensation		278	283	261	22	
Nonservice-connected	1,363	27,633	27,979	26,611	1,368	
Public Law 86-211	397	5,739	5,856	5,737	119	
Prior law	966	21,894	22,123	20,874	1,249	
Special acts		11	11	5	6	

TABLE 3.—ACTIVE COMPENSATION, DEPENDENCY AND INDEMNITY COMPENSATION, PENSION AND RETIREMENT CASES, ALL WARS AND REGULAR ESTABLISHMENT, MONTH OF JUNE 1974—Continued

Entitlement	Disability total cases	Death total cases	Death beneficiaries			
			Total	Widows	Children	Parents
Mexican Border Service	426	501	511	496	15	
Service-connected	13	2	2	2		
Compensation	13					
Dependency and indemnity compensation		2	2	2		
Dependency and indemnity compensation and compensation						
Nonservice-connected	413	499	509	494	15	
Public Law 86–211	413	499	599	494	15	
Indian Wars		99	101	83	18	
Service-connected		1	1		1	
Dependency and indemnity compensation		1	1		1	
Nonservice-connected		97	99	82	17	
Prior law		97	99	82	17	
Special acts		1	1	1		
Civil War		462	471	242	229	
Service-connected		11	11	4	7	
Dependency and indemnity compensation		11	11	4	7	
Nonservice-connected		441	449	238	211	
Prior law		441	449	238	211	
Special acts		10	11		11	

Purpose of Bill

Liberalization of Disability and Death Pensions

Given the foregoing, the Committee believes that an interim measure is immediately warranted while it continues to consider overall pension revision.

S. 4040 as reported, provides for a $400 increase in the maximum annual income limitations, and a 12-percent increase in pension rates. According to the Veterans Administration this will assure that no pensioner will be dropped from the pension rolls because of the most recent Social Security increase. Approximately, 2.3 million veterans and widows would be affected with a Fiscal Year 1975 cost of $145.9 million. Adjusting the formula to reflect these increases, the Committee also wishes to point out the increased refinements in the formula which will produce a smaller impact for the veterans and widows who exceed the maximum annual income limitations. Currently, the *minimum* pension payment for veterans or widows ranges from $21 to $44 a month. Exceeding the maximum annual income limitations can thus mean a substantial reduction of pension income of up to $400 a year for a veteran or his widow. Under S. 4040, as reported, minimum payments would now reduce gradually to a figure of as low as $5 a month which should greatly reduce the impact for those who ultimately do drop from the pension rolls in the future.

The following tables illustrate the current rates payable to veterans and their survivors with typical examples of pensions payable under S. 4040, as reported, which incorporates increases both in the rates payable and the maximum annual income limitations:

TABLE 4.—VETERAN ALONE

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$143	$160	$1,700	$87	$96
$400	140	157	$1,800	81	90
$500	137	154	$1,900	75	84
$600	134	150	$2,000	69	77
$700	131	146	$2,100	63	70
$800	128	142	$2,200	57	63
$900	124	138	$2,300	50	56
$1,000	120	133	$2,400	43	48
$1,100	116	128	$2,500	36	40
$1,200	112	123	$2,600	28	32
$1,300	108	118	$2,700		24
$1,400	103	113	$2,800		16
$1,500	98	108	$2,900		8
$1,600	93	102	$3,000		5

TABLE 5.—VETERAN WITH DEPENDENT

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$154	$172	$2,300	$103	$115
$400	154	172	$2,400	100	111
$500	154	172	$2,500	97	107
$600	152	170	$2,600	94	103
$700	150	168	$2,700	90	99
$800	148	165	$2,800	86	95
$900	145	162	$2,900	82	91
$1,000	142	159	$3,000	78	87
$1,100	139	156	$3,100	74	82
$1,200	136	153	$3,200	70	77
$1,300	133	150	$3,300	65	72
$1,400	130	147	$3,400	60	67
$1,500	127	144	$3,500	55	62
$1,600	124	141	$3,600	50	56
$1,700	121	138	$3,700	45	50
$1,800	118	135	$3,800	39	44
$1,900	115	131	$3,900		37
$2,000	112	127	$4,000		30
$2,100	109	123	$4,100		22
$2,200	106	119	$4,200		14

TABLE 6.—WIDOW ALONE

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$96	$108	$1,700	$57	$64
$400	95	107	$1,800	53	60
$500	94	106	$1,900	49	56
$600	93	105	$2,000	45	52
$700	90	102	$2,100	41	48
$800	87	99	$2,200	37	43
$900	84	96	$2,300	33	38
$1,000	81	92	$2,400	29	33
$1,100	78	88	$2,500	25	28
$1,200	75	84	$2,600	21	23
$1,300	72	80	$2,700		18
$1,400	69	76	$2,800		13
$1,500	65	72	$2,900		8
$1,600	61	68	$3,000		5

TABLE 7.—WIDOW WITH 1 DEPENDENT

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$300	$114	$128	$2,300	$86	$98
$400	114	128	$2,400	84	95
$500	114	128	$2,500	82	92
$600	114	128	$2,600	79	89
$700	114	128	$2,700	76	86
$800	113	127	$2,800	73	83
$900	112	126	$2,900	70	80
$1,000	111	125	$3,000	67	77
$1,100	110	125	$3,100	64	73
$1,200	108	122	$3,200	61	69
$1,300	106	120	$3,300	58	65
$1,400	104	118	$3,400	55	61
$1,500	102	116	$3,500	51	57
$1,600	100	114	$3,600	47	53
$1,700	98	112	$3,700	44	49
$1,800	96	110	$3,800	44	49
$1,900	94	108	$3,900		49
$2,000	92	106	$4,000		49
$2,100	90	104	$4,100		49
$2,200	88	101	$4,200		49

"Old Law" Pensions

Veterans and survivors receiving "old law" pensions under section 9(b) of the Veterans' Pension Act of 1959 who also in receipt of social security benefits suffered pension reductions in January 1973. To counter these reductions, the annual income limitations have been increased to $2,600 and $3,900 from the respective current levels of $2,200 and $3,500. The Veterans' Administration estimates that 27,462 "old law" pensioners will be affected by S. 4040, as reported, at a first year cost of $9.5 million.

Dependency and Indemnity Compensation

Dependency and indemnity compensation (DIC) is paid to needy parents of veterans who died of service-connected disabilities. S. 4040, as reported, also provides for a 12-percent increase in the DIC rates and a $400 increase in the annual income limitations which will affect 68,000 parents at a first year cost of $3.9 million.

The following tables illustrate the current rates payable to dependent parents with typical examples of dependency and indemnity compensation payable under S. 4040, as reported, which incorporates the increases both in the rates and the maximum annual income limitations:

TABLE 8.—1 PARENT

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$800	$110	$123	$2,000	$57	$64
$900	107	120	$2,100	50	56
$1,000	104	117	$2,200	43	48
$1,100	101	113	$2,300	36	40
$1,200	97	109	$2,400	28	32
$1,300	93	105	$2,500	20	24
$1,400	89	100	$2,600	12	16
$1,500	85	95	$2,700		8
$1,600	80	90	$2,800		4
$1,700	75	84	$2,900		4
$1,800	69	78	$3,000		4
$1,900	63	71			

TABLE 9.—2 PARENTS NOT TOGETHER

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$800	$77	$86	$2,000	$38	$44
$900	75	84	$2,100	34	40
$1,000	73	82	$2,200	30	35
$1,100	71	80	$2,300	26	30
$1,200	68	76	$2,400	21	25
$1,300	65	72	$2,500	16	20
$1,400	62	68	$2,600	11	14
$1,500	58	64	$2,700		8
$1,600	54	60	$2,800		4
$1,700	50	56	$2,900		4
$1,800	46	52	$3,000		4
$1,900	42	48			

TABLE 10.—2 PARENTS TOGETHER

Income not over—	Current rate	S. 4040 rate	Income not over—	Current rate	S. 4040 rate
$800	$74	$83	$2,600	$44	$51
$900	74	83	$2,700	42	48
$1,000	74	83	$2,800	40	45
$1,100	73	82	$2,900	38	42
$1,200	72	80	$3,000	35	39
$1,300	70	78	$3,100	32	36
$1,400	68	76	$3,200	29	33
$1,500	66	74	$3,300	26	30
$1,600	64	72	$3,400	23	27
$1,700	62	70	$3,500	20	24
$1,800	60	68	$3,600	17	20
$1,900	58	66	$3,700	14	16
$2,000	56	64	$3,800	11	12
$2,100	54	62	$3,900		8
$2,200	52	60	$4,000		4
$2,300	50	58	$4,100		4
$2,400	48	56	$4,200		4
$2,500	46	54			

Change in Pension Entitlement

S. 4040 as passed by the Senate provides for a redefinition of the term "veteran" to include "a person who has completed at least two years of honorable active military, naval or air service, as certified by the Secretary concerned."

The Committee amendment would provide equitable relief for the few widows and children caught in a set of circumstances whereby they were denied benefits because the veteran may have died under circumstances not technically in the line of duty while in service. The amendment was deemed necessary to insure that enactment of this provision would have no bearing on eligibility for pension based on deaths after separation from service.

Study of Pensioners' Needs, Age 72 and Older

Section 8 of S. 4040, as amended, would require the Administrator of Veterans Affairs to conduct a study of the needs and problems of veterans and their widows 72 years of age and older. The Committee recognizes that in the proper performance of its legislative function, it would be useful to have data on the economic needs of the older veteran and his survivors. The proposed study would require the collection of data as well as evaluation of data. The section as proposed by the Senate-passed bill provides for a report to the Congress and the President not later than 120 days after the convening of the first session of the 94th Congress. To insure that the study will reflect the most useful data which can be obtained, and that the data be adequately evaluated and studied, added time to complete the study may well be needed. The Committee has therefore amended the bill to extend the time for completion of the study from 120 days to 180 days.

Section-by-Section Analysis of 4040, as Reported

SECTION 1

This section provides that this Act may be cited as the "Veterans' and Survivors' Pension Adjustment Act of 1974".

SECTION 2

Clause 1 would increase the rates of pension and the annual income limitation for unmarried veterans under section 521(b). Currently, a veteran with no dependents receives a maximum monthly pension of $143 if his annual income is $300 or less, decreasing on a gradual scale to $28 with an annual income of $2,600. As amended, this section would provide a maximum monthly rate of $160 with an annual income of $300 or less, down to $5 for an annual income of $3,000.

Clause 2 would increase the rates of pension and the annual income limitation for a married veteran under section 521(c). Currently, the maximum monthly pension payable to a veteran with one dependent is $154, with two dependents, $159, and with three or more dependents, $164 based on an annual income of $500 or less. This decreases gradually to $39, $44, and $49, respectively, with an annual income of $3,800. As amended, this section would provide a veteran with one dependent, $172, with two dependents, $177, and with three dependents, $182 based on an income of $500 or less, ranging down to $14, $19, and $24, respectively, with an annual income of $4,200.

Clause 3 provides that the additional allowance payable to those veterans receiving pension who are in need of regular aid and attendance under section 521(d) will be increased from $110 per month to $123 per month.

Clause 4 provides that the additional allowance payable under section 521(e) for those veterans receiving pension who have a disability rated permanent and total, and which is rated 60 percent or more, or are permanently housebound but not eligible for an aid and attendance allowance will be increased from $44 per month to $49.

SECTION 3

Clause 1 would increase the rates of pension and the annual income limitation for a widow without a child under section 541(b). Currently, a widow without a dependent receives a maximum monthly pension of $96 if her annual income is $300 or less, decreasing on a graduated scale to $21 with an annual income of $2,600. As amended, this section would provide a maximum monthly rate of $108 with an annual income of $300, decreasing to $4 with an income of $3,000.

Clause 2 would increase the rates of pension and the annual income limitation for a widow with a dependent under section 541(c). Currently, a widow with one child receives a maximum monthly pension of $114 if her annual income is $700 or less, decreasing on a graduated basis to $44 with an annual income of $3,800. As amended, this section would provide a maximum monthly rate of $128 with an annual income of $700 or less, down to $49 with an annual income of $4,200.

Clause 3 would increase the allowance for each child in the case where there is a widow with more than one child under section 541 (d). Currently, a widow receives $18 per month for each additional child. As amended, this section would provide $20 of each additional child per month.

Clause 4, as amended by this Committee, adds a new subsection (f) to section 541 to amend the definition of a "veteran" for the purposes of that section and section 542 to provide that survivors of a veteran who served at least two years of honorable military service and who meets the other service requirements of section 521(g) but whose death in such service was not in line of duty would be eligible for pension.

SECTION 4

Clause 1 would provide increases in the rates of pension for children when there is no widow under section 542(a). Currently, one child alone receives $44 per month, with the addition of $18 for each additional child. As amended, this section would provide $49 for the first child and $20 for each additional child.

Clause 2 would provide increases in the annual income limitation for a child under section 542(c). Currently, the annual income limitation is $2,000. As amended, this section would provide an annual income limitation of $2,400.

SECTION 5

This section would provide an increase in the allowance payable to widows who are in receipt of pension and in need of aid and attendance in section 544. Currently, the allowance is $55 per month. As amended, this section would provide an aid and attendance allowance of $64 per month.

SECTION 6

This section would amend section 4 of Public Law 90–275 (82 Stat. 68) to increase by $400 the maximum annual income limitations applicable under the prior pension program in effect on June 30, 1960: From $2,200 to $2,600 for a veteran without a dependent, or widow without a dependent, or a child alone; and from $3,500 to $3,900 for a veteran with a dependent, and for a widow with a dependent.

SECTION 7

Clause 1 would increase the rates of dependency and indemnity compensation (DIC) and annual income limitations for a sole surviving parent under section 415(b). Currently, a sole surviving parent receives a maximum monthly DIC payment of $110 if his income is less than $800 per annum, decreasing to $12 for an annual income of $2,600. As amended, this section would provide for a maximum monthly rate of $123 with an annual income of $800 or less, down to $4 for an annual income of $3,000.

Clause 2 would increase the rates of dependency and indemnity compensation (DIC) and the annual income limitations for two parents not living together under section 415(c). Currently, each of two parents who are not living together receives a maximum monthly DIC payment of $77 if annual income is $800 or less, decreasing on a graduated scale to $11 with an annual income of $2,600. As amended, this section would provide a maximum monthly rate of $86 with an annual income of $800 or less, down to $4 for an annual income of $3,000.

Clause 3 would increase the rates of dependency and indemnity compensation (DIC) and annual income limitations payable under section 415(d). Currently, if there are two parents who are living together, or if a parent is remarried and is living with his spouse, each parent receives a maximum monthly DIC payment of $74 if annual income is $1,000 or less, decreasing on a graduated scale to $11 with an annual income of $3,800. As amended, this section would provide a maximum monthly rate of $83 with an annual income of $1,000 or less, down to $4 for an annual income of $4,200.

Clause 4 would increase the allowance payable under section 415(h) to parents who are in receipt of dependency and indemnity compensation (DIC) and in need of aid and attendance. Currently, the allowance is $55 per month. As amended, this section would provide an aid and attendance allowance of $64 per month.

SECTION 8

Subsection (a) authorizes the Administrator of Veterans' Affairs to conduct a study of the needs and problems of veterans and their widows who are age 72 or older. Included in the study will be (1) a survey of the current income characteristics of such veterans; (2) an evaluation of the adequacy of the veterans pension program for their needs; and (3) an examination of the mortality rate for these individuals.

Subsection (b), as amended by this Committee, provides that the study along with legislative or administrative recommendations shall be submitted to the Congress not later than 180 days after the convening of the 1st session of the 94th Congress.

SECTION 9

Subsection (a) provides that the marriage of a child of a veteran shall not bar the recognition of such child as the child of the veteran for benefit purposes if the marriage has been terminated by death or has been dissolved by a court with basic authority to render divorce decrees unless the Veterans Administration determines that the divorce was secured through fraud by either party or collusion. This extends to a veteran's child the same reinstatement eligibility where his or her marriage has been terminated by death or divorce as was provided for widows several years ago.

Subsection (b) is a technical amendment with respect to the effective date of cases coming within the purview of subsection (a).

SECTION 10

This section provides that the effective date of this Act shall be January 1, 1975.

Cost Estimates Pursuant to Section 252 of the Legislative Reorganization Act of 1970

In accordance with section 252(a) of the Legislative Reorganization Act of 1970 (Public Law 91–510, 91st Congress) the Committee, based on information supplied by the Veterans' Administration estimates that the Fiscal Year 1975 cost to be $145.9 million increasing to $294.5 million at the end of five years. An itemized breakdown of the cost of S. 4040, as reported, by categories of beneficiaries and in total for the first five years is shown in the following table:

TABLE 11—5-YEAR COST OF S. 4040, AS REPORTED

Year	Cost (millions)
I Current law, 12-percent increase $400 income limit increase:	
1974	$123.2
1975	249.0
1977	251.8
1976	254.3
1978	259.4
II Old law, $400 income limit increase:	
1a74	9.5
1975	15.8
1976	12.9
1977	9.8
1978	6.8
III DIC parents, 12-percent increase $400 income limit increase:	
1974	3.9
1975	8.0
1976	8.1
1977	8.1
1978	8.3
IV Increase in children's rates:	
1974	1.0
1975	1.9
1976	1.9
1977	1.8
1978	1.8
V Increase in AID and attendance/housebound rates:	
1974	8.3
1975	17.0
1976	17.5
1977	17.9
1978	18.2
VI Total cost:	
1974	145.9
1975	291.7
1976	292.2
1977	291.9
1978	294.5

Note: January 1, 1974, effective dates assumed for all provisions.

Agency Reports

The Senate Committee requested reports on S. 4040, the Veterans and Survivors Pension Readjustment Act of 1974, from the Veterans' Administration and the Office of Management and Budget. The Office of Management and Budget did not submit a report. The report of the Veterans' Administration follows:

Veterans' Administration,
Office of the Administrator of Veterans' Affairs,
Washington, D.C., October 3, 1974.

Hon. Vance Hartke,
Chairman, Committee on Veterans' Affairs,
U.S. Senate, Washington, D.C.

Dear Mr. Chairman: We are pleased to respond to your request for a report on S. 4040, 93d Congress.

The measure, to be known as the "Veterans and Survivors Pension Adjustment Act of 1974", would provide, among other things, increases in the rates and income limitations relating to non-service-connected disability and death pension for veterans, widows and children under the current program, increases in the rates and income limitations for parents of deceased servicemen under the service-connected dependency and indemnity compensation program, and increases in income limitations for beneficiaries under the protected pension law.

The current pension program under chapter 15 of title 38, United States Code, provides monthly non-service-connected disability or death pension for otherwise eligible veterans of the Mexican border period. World War I, World War II, the Korean conflict, and the Vietnam era, and their widows and children. For a veteran unmarried and without a child, the monthly rates range from $28 to $143 depending upon annual income, which may not exceed $2,600. For a veteran married or with a child, the monthly rates range from $39 to $164 according to the number of dependents and annual income, which may not exceed $3,800. For a widow without a child, the monthly death pension rates range from $21 to $96 depending upon annual income, which may not exceed $2,600. For a widow with one child, the monthly rates range from $44 to $114 depending upon annual income, which may not exceed $3,800, plus $18 additional for each child in excess of one. For children of a deceased veteran where there is no eligible widow, the monthly rates are $44 for the first child and $18 for each additional child, in equal shares, subject to an unearned annual income limitation of $2,000.

The rates of pension and limitations on annual income are different with respect to persons who were receiving pension on June 30, 1960, and who continue to receive benefits under that prior system pursuant to the savings provisions of section 9(b) of the Veterans' Pension Act of 1959 (Public Law 86–211). Applicable annual income limitations are $2,200 for a veteran unmarried and without a child, a widow without a child or a child alone; and $3,500 for a veteran married or with a child, and for a widow with a child.

Under chapter 13 of title 38, United States Code, monthly dependency and indemnity compensation payments are made to widows and certain parents and children of veterans who die of a service-connected cause. Parents' benefits are provided on a sliding scale based on annual income. The income limitations vary according to whether there are one or two parents, and in a case of two parents, whether they are living together or apart. The maximum annual income limitations are $2,600 for an only parent and for each of two parents living apart, and $3,800 for two parents (including in some cases an only parent who has remarried). The current monthly rates range from $12 to $110 for an only parent, from $11 to $77 for each of two parents not living together, from $11 to $74 for each of two parents living together, and from $11 to $110 for an only parent who has remarried.

Section 2 of S. 4040 would increase by approximately 12 percent the monthly rates for veterans under the current pension program, including the housebound and aid and attendance rates, and would increase their maximum annual income limitations by $400. Section 3 would increase widows' monthly pension rates by approximately 12 percent, and would increase their maximum annual income limitations by $400. The latter section would also increase the rate for each child in excess of one (with a widow) from $18 to $20 per month.

Section 5 of the bill would increase from $55 to $64 the special monthly aid and attendance allowance payable to widows on the pension rolls. Another feature of section 7 is a proposal to similarly increase the monthly aid and attendance allowance payable to parents under the dependency and indemnity compensation program.

Section 4 would increase the monthly pension rate for a surviving child where there is no widow entitled from $44 to $49, and the rate for each additional child from $18 to $20. Also, section 4 would increase a child's unearned annual income limitation from $2,000 to $2,400.

Section 6 of the bill would increase from $2,200 to $2,600 and from $3,500 to $3,900 the applicable maximum income limitations governing payment to persons receiving pension under the prior program in effect on June 30, 1960.

Section 7 would increase by approximately 12 percent the monthly dependency and indemnity compensation payable to eligible surviving parents of persons who died of service-connected causes. Further, it proposes to increase by $400 the applicable maximum income limitations governing the payment of such compensation.

Section 8 would require the Administrator of Veterans Affairs to make a thorough study and investigation of the economic needs and problems of veterans and widows 72 years of age or older, as outlined in subsection (a). Subsection (b) would require that the Administrator report to the Congress and the President not later than 120 days after the convening of the first session of the 94th Congress the results of the study and investigation, including any recommendations for legislative or administration action. Under this section we should contemplate assembling whatever data is available as to the needs of those persons over age 72, and making a report within the time limitation specified.

Section 9 provides an effective date of January 1, 1975.

In addition to the mentioned increases in pension rates and income limitations, section 3 (item 4) would authorize pension benefits for widows and children of certain persons whose in-service deaths occurred not in line of duty. Enactment would afford death pension to otherwise eligible widows and children under such circumstances upon certification by the Secretary concerned that the serviceman had completed at least 2 years of honorable active service. It is assumed that it is intended that a requisite portion of such service was performed during a period of war as provided in 38 U.S.C. 521(g). We do not favor this provision of section 3.

Under current law, if death occurs in service, in order to qualify survivors for dependency and indemnity compensation, such death must be service connected, which requires that it must have been in line of duty. For death pension purposes, it is necessary that the deceased be a veteran. The statutory definition of a veteran includes, among other criteria, that a person has been discharged or released from service. The proposal would unwisely equate service from which honorably discharged with service terminated under other than honorable conditions.

The Veterans Administration submitted to the Congress early this year a draft bill to remove inconsistencies, inequities, and anomalies from the current pension program which would be difficult to correct within the framework of the law as now constituted. Most important is that an untoward amount of those dollars available are devoted to providing pension benefits to those beneficiaries who are at the top limits of the incoming scale. Thus, the basic pension philosophy of providing a proportionate measure of assistance to those who most need it has been distorted. This proposed reform measure is pending before your Committee.

We recognize that while changes in the cost of living affect the pension population as a whole, the greatest impact is felt by those pensioners who are most in need of assistance, that is, those with little or no other source of income. The draft pension proposal, in keeping with the principle of providing pension based on need, would target more dollars to the most needy, rather than povide the same percentage increases to all groups, regardless of demonstrated need.

The across-the-board increases and the increases in income limitations provided by S. 4040 and other related bills under consideration by the Committee are wholly inconsistent with the philosophy underlying our proposals for restructuring the pension system.

It is estimated that enactment of S. 4040 would cost approximately $145.9 million during fiscal year 1975 (6 months), and that the cost would approximate $291.7 million for fiscal year 1976, gradually increasing to $294.5 million during fiscal year 1979.

This will also serve as a report on S. 3269, which would increase maximum annual income limitations for pension under the current program and for dependency and indemnity compensation payable to parents, on S. 3971 insofar as it would provide specific increases in rates and income limitations under the current pension program and on S. 2696 which is identical to item (4) of section 3 of S. 4040.

Accordingly, we oppose enactment of S. 4040, S. 3269, S. 3971, and S. 2696. Instead, we urge the Committee to give careful consideration to restructuring the pension system.

Advice has been received from the Office of Management and Budget that there is no objection to the presentation of this report from the standpoint of the Administraton's program.

Sincerely,

RICHARD L. ROUDEBUSH,
Administrator.

VETERANS' ADMINISTRATION,
OFFICE OF THE ADMINISTRATOR OF VETERANS' AFFAIRS,
Washington, D.C., March 15, 1974.

Hon. CARL ALBERT,
Speaker, House of Representatives,
Washington, D.C.

DEAR MR. PRESIDENT: There is transmitted herewith a draft of a bill to amend title 38 of the United States Code to modify the pension program for veterans of the Mexican border period, World War I, World War II, the Korean conflict or the Vietnam era, and their widows and children. It is requested that the measure be introduced and considered for approval.

In signing Public Law 93–177, the recent pension law, on December 6, 1973, the President stated:

> While this bill is a step in the right direction, more can be done—and should be done. As I mentioned in my message to

the Congress on national legislative goals on September 10, 1973, full reform of the Veterans' Administration pension program is necessary. The program is currently fraught with inconsistencies, inequities and anomalies which cannot be corrected unless the entire framework of the program is restructured.

This Administration regards the following principles as vital to a realistic and equitable VA pension program:

VA pensioners should have some regularized way of receiving cost-of-living adjustments in VA pension payments tied to the automatic increases now available to social security recipients.

The VA pension program should be structured to assure that additional income flows to the neediest pensioners. This objective would involve raising VA payments to those pensioners who receive less total income than adult welfare recipients under recent amendments to the Social Security Act. In addition, a family's total income should be considered in determining the amount of pension needed.

Veterans and widows should be treated equally with regard to income and pension payments.

In his message on veterans of January 28, 1974, the President repeated the foregoing principles and stated that he would propose legislation to achieve the mentioned goals. The enclosed draft bill is such a proposal.

At the outset, it would be helpful to review very briefly the background of the present pension program. Until 1960 there was one pension program for periods of war beginning with World War I. That program had many drawbacks. It did not take into consideration that veterans with less income had degrees of need greater than their fellow war veterans who were near the top of the income limit, or that need increased if the veteran had dependents. It was inequitable in providing for the total exclusion of certain types of income and partial exclusion of others.

Public Law 86–211, which initiated the current pension system, was an attempt to relate the monthly pension payment to the need of the veteran. Three income levels, with proportionate payments, were introduced. That new program fell short, however, of being sensitive to the individual pensioner's needs. When his or her income exceeded the limit of one of the income levels, there could ensue an abrupt disproportionate reduction in total income.

In 1969 the pension program was restructured by enactment of Public Law 90–275, into one hundred dollar income levels and proportionate rates, so that a small increase in income would only bring about a small reduction in pension, as long as a person did not exceed the applicable maximum income limitation.

Approximately three years later, Public 92–198 further perfected the program by providing a maximum monthly pension rate for each group of pensioners and a formula under which the rate would be reduced as the person's income increased. In each instance the reduction in pension for every individual who remains within the applicable maximum annual income limitation is less than the countable increase in income. Consequently, the aggregate income for each such person remaining on the rolls is always greater than before the increase in income.

During the foregoing years, there was a tendency to increase income limitations, as well as to broaden exclusions. This is particularly true in the increasing of income limitations to meet each increase in social security. The pension program has inconsistencies, inequities and anomalies which cannot be corrected within the framework of the law as now constituted. Most important is that an untoward amount of those dollars available are devoted to providing pension benefits to those beneficiaries who are at the top limits of the income scale.

The enclosed draft measure would (1) fill the gap between the resources available to a veteran and his dependents and a national minimum standard of need; (2) treat veterans and widows equally with regard to income and benefit amount; (3) eliminate the inequities arising from exclusions of income—consideration of family income as a whole; (4) contain an automatic cost-of-living adjustment working simultaneously with that applicable to social security and eliminate the lag in adjusting pension for increases in income; (5) provide benefits which guarantee a minimum income of $166 per month for a single person and $249 per month for a person with one dependent; (6) provide a hold-harmless provision to permit present recipients of pension to continue receiving benefits under the present provisions of law with a 4-percent rate increase and thereafter, automatic cost-of-living increases. Details of the proposal are set forth further in the enclosed section-by-section analysis.

The estimated costs of the measure for the first five years are as follows:

Fiscal year	*(In millions of dollars)*
1975	250
1976	275
1977	318
1978	364
1979	412

The substance of the enclosed draft bill has been the subject of conferences between members of my staff and those of the House Committee on Veterans' Affairs and the Senate Committee on Veterans' Affairs. I am encouraged that these concepts have received a sympathetic hearing by these Committees.

We are not submitting this proposal as a final product, but as a vehicle for further discussion. We trust this will result in the development of a full pension measure that can be enacted early in this session in Congress.

Advice has been received from the Office of Management and Budget that there is no objection to the submission of the draft legislation and that its enactment would be in accord with the program of the President.

Sincerely,

DONALD E. JOHNSON,
Administrator.

Enclosures.

A BILL To amend title 38 of the United States Code to modify the pension program for veterans of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, and their widows and children

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans' Pension Act of 1974".

SEC. 2. Section 503 of title 38, United States Code, is amended to read as follows:

"§ 503. Determinations with respect to annual income

"(a) In determining annual income under this chapter, all payments of any kind or from any source (including salary, retirement or annuity payments, or similar income, which has been waived, irrespective of whether the waiver was made pursuant to statute, contract, or otherwise) shall be included except—

"(1) donations from public or private relief or welfare organizations;

"(2) amounts equal to amounts paid by a wife of a veteran for the expenses of his last illness, and by a widow or child of a deceased veteran for—

"(A) his just debts,

"(B) the expenses of his last illness, and

"(C) the expenses of his burial to the extent such expenses are not reimbursed under chapter 23 of this title:

"(3) amounts equal to amounts paid—

"(A) by a veteran for the last illness and burial of his deceased spouse or child, or

"(B) by a widow or a wife of a veteran for the last illness and burial of a child of such a veteran;

"(4) proceeds of fire insurance policies;

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

"(6) amounts in joint accounts in banks and similar institutions acquired by reason of death of other joint owner;

"(7) amounts equal to amounts paid by a veteran, widow, or child, for unreimbursed medical expenses for persons prescribed by regulation which exceed 5 per centum of the maximum annual rate of pension authorized under this chapter for any such person.

"(b) Where a fraction of a dollar is involved, annual income shall be fixed at the next lower dollar."

SEC. 3. (a) Section 521(b) of title 38, United States Code, is amended to read as follows:

"(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child to whose support he is reasonably contributing, pension shall be paid monthly at the annual rate of $1,992, reduced by the amount of his annual income."

(b) Section 521(c) of title 38, United States Code, is amended to read as follows:

"(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child to whose support he is reasonably contributing, pension shall be paid monthly at the annual rate of $2,988. If the veteran has two or more such dependents, the rate shall be increased by $264 for each such dependent in excess of one. The rate payable shall be reduced by the amount of his annual income."

(c) Section 521(f)(1) of title 38, United States Code, is amended to read as follows:

"(1) in determining annual income, where a veteran is living with his spouse, income of the spouse shall be considered as income of the veterans;"

(d) Section 521 of title 38, United States Code, is amended by adding the following new subsections at the end thereof:

"(h) Benefits under this section may be paid less frequently than monthly where the amount of the monthly benefit would be less than $5.

"(i) The rates payable under subsections (b) and (c) of this section shall be increased by such percentage as the Secretary of Health, Education, and Welfare shall certify in the Federal Register for social security recipients as a cost-of-living increase under section 215 of the Social Security Act, effective the same date as such latter increase."

SEC. 4. Section 522 of title 38, United States Code, is amended to read as follows:

"§ 522. Net worth limitation

"The Administrator shall deny or discontinue payment of pension under section 521 of this title when the corpus of the estate of the veteran, his spouse and children, is such that under all the circumstances, including consideration of the veteran's or spouse's income, it is reasonable that some part of the corpus be consumed for the veteran's maintenance."

SEC. 5. (a) Section 541(b) of title 38, United States Code, is amended to read as follows:

"(b) If there is no child, pension shall be paid monthly at the annual rate of $1,992, reduced by the amount of her annual income."

(b) Section 541(c) of title 38, United States Code, is amended to read as follows:

"(c) If there is a widow and one child, pension shall be paid at the annual rate of $2,988. If the widow has two or more children, the rate shall be increased by $264 for each child in excess of one. The rate payable shall be reduced by the amount of her annual income."

(c) Section 541(d) of title 38, United States Code, is amended to read as follows:

"(d) Benefits under this section may be paid less frequently than monthly where the amount of the monthly benefit would be less than $5."

(d) Section 541 of title 38, United States Code, is amended by adding the following new subsection at the end thereof.

"(f) The rates payable under subsections (b) and (c) of this section shall be increased by such percentage as the Secretary of Health, Education, and Welfare shall certify in the Federal Register for social security recipients as a cost-of-living increase under section 215 of the Social Security Act, effective the same date as such latter increase."

SEC. 6. Section 101(4) of title 38, United States Code, is amended by inserting "(a) immediately following (4)" and by adding at the end thereof the following:

(b) For the purposes of chapter 15 of this title, a person shall not be considered a child of the veteran if he has been adopted out of the family of the veteran or widow."

SEC. 7. Section 3012(b)(4) of title 38, United States Code, is amended to read as follows:

"(4)(a) by reason of change in income through operation of Federal law shall be the day prior to the effective date of the law;

"(b) by reason of change in other income or corpus shall be the last day of the calendar quarter in which the change occurred, except as to persons within the purview of chapter 13 of this title, or the first sentence of section 8(b) of the Veterans' Pension Act of 1974, shall be the last day of the calendar year in which the change occurred;

SEC. 8. (a) Any claim for pension which is pending in the Veterans' Administration on June 30, 1974, or if to his advantage any claim for disability pension thereafter filed by a veteran within one year from the date prior to July 1, 1974, on which the veteran became permanently and totally disabled, or any claim for death pension filed after June 30, 1974, within one year from the date of death of a veteran which occurred prior to July 1, 1974, shall be adjudicated under title 38, United States Code, in effect on June 30, 1974, with respect to the period before July 1, 1974, and, except as provided in subsection (c), under such title, as amended by this Act, thereafter.

(b) Nothing in this Act shall affect the eligibility of any person receiving pension under chapter 15 of title 38, United States Code, on June 30, 1974, for pension under all applicable provisions of that chapter in effect on that date for such period or periods thereafter with respect to which he can qualify under such provisions. This subsection shall not apply in any case for any period after pension is granted, pursuant to application, under title 38, United States Code, as amended by this Act.

(c) Subsection (b) shall apply to those claims within the purview of subsection (a) in which it is determined that pension is payable for June 30, 1974.

SEC. 9. The monthly rates of pension payable to persons receiving pension pursuant to section 8(b) of this Act at rates prescribed by sections 521(b), 521(c), 541(b), 541(c), and 541(d) of title 38, United States Code, shall be increased by 4 percent effective the date of this Act. Thereafter, such monthly rates shall be increased by such percentage as the Secretary of Health, Education, and Welfare shall certify in the Federal Register for social security recipients as a cost-of-living increase under section 215 of the Social Security Act, effective the same date as such latter increase.

SEC. 10. The second sentence of section 9(b) of the Veterans' Pension Act of 1959 is amended by striking "this Act" and substitutiong therefor "the Veteran's Pension Act of 1974".

SEC. 11. This Act shall take effect on July 1, 1974.

SECTION-BY-SECTION ANALYSIS OF PROPOSED PENSION REFORM BILL

"A Bill To amend title 38 of the United States Code to modify the pension program for veterans of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, and their widows and children."

The first section provides that the bill may be cited as the "Veterans' Pension Act of 1974".

Section 2 amends 38 U.S.C. 503, which deals with exclusions in determining annual income for pension purposes. Of the 18 existing exclusions, 6 are retained (donations from public or private relief or welfare organizations, last expenses paid by a veteran for a spouse or child or by a widow for the child, fire insurance proceeds, profit from disposition of real or personal property, and amounts in joint bank accounts acquired by reason of death of other joint owner), and one relating to unusual medical expenses is modified. It specifically excludes unreimbursed medical expenses which exceed 5 per centum of the maximum annual rate of pension authorized under this chapter for the class of claimants concerned.

Section 3 amends 38 U.S.C. 521, which prescribes rates of pension for veterans.

Subsection (a) provides for a veteran without an eligible dependent a monthly pension at an annual rate of $1,992, reduced by the amount of the veteran's annual income. Currently, monthly rates range from $28 to $143, depending on the veteran's annual income, which may not exceed $2,600.

Subsection (b) provides for a veteran with an eligible dependent a monthly pension at an annual rate of $2,988. If a veteran has two or more such dependents, the annual rate is increased by $264 for each such dependent in excess of one. The rate payable is reduced by the amount of his annual income. Currently, monthly rates range from $39 to $164, depending on the veteran's annual income, not exceeding $3,800 and the number of dependents.

Subsection (c) counts all of a spouse's income in determining the veteran's annual income. Currently, all income of the spouse which is reasonably available to or for the veteran in excess of whichever is greater, $1,200 or the total earned income of the spouse, is considered as the income of the veteran.

Subsection (d) adds two new subsections; the first authorizes payment of veterans' pension less frequently than monthly where the amount of the monthly benefit would be less than $5, and the second provides for automatic cost-of-living increases to the same extent as authorized under section 215 of the Social Security Act as a cost-of-living increase for social security recipients.

Section 4 amends 38 U.S.C. 522, to include the corpus of the estate of a veteran's spouse and children in determining his net worth.

Section 5 amends 38 U.S.C. 541, which prescribes rates of pension for widows.

Subsection (a) provides for a widow without a child a monthly pension at an annual rate of $1,992, reduced by the amount of the widow's annual income. Currently, monthly rates range from $21 to $96 depending on the widow's annual income, which may not exceed $2,600.

Subsection (b) provides for a widow with one child a monthly pension at an annual rate of $2,988. If the widow has two or more children, the rate is increased by $264 for each child in excess of one. The rate payable is reduced by the amount of her annual income. Currently, for a widow and one child monthly rates range from $44 to $114, depending on the widow's annual income, which may not exceed $3,800. An additional $18 is paid to the widow for each additional child.

Subsection (c) authorizes payment of widows' pension less frequently than monthly where the amount of the monthly benefit would be less than $5.

Subsection (d) provides for automatic cost-of-living increases to the same extent as authorized under section 215 of the Social Security Act as a cost-of-living increase for social security recipients.

Section 6 amends the definition of "child" in 38 U.S.C. 101(4), to provide that for purposes of pension, a person shall not be considered a child of the veteran if he has been adopted out of the family of the veteran or widow.

Section 7 amends 38 U.S.C. 3012(b)(4), which deals with the effective date of reductions and discontinuances of benefits by reason of change in income or corpus of estate. Pensions entitled to pension under the proposed bill, or who continue to receive pension under the current program, who have a change in income by operation of Federal law would have their benefits reduced or discontinued on the day prior to the effective date of the law. By reason of change in other income or corpus the reduction or discontinuance would be the last day of the calendar quarter in which the change occurred except that persons receiving dependency and indemnity compensation or who continue to receive pension under the current program would have their benefits reduced or discontinued on the last day of the calendar year in which the change in corpus or income occurred, as currently provided in section 3012(b)(4).

Section 8 would preserve the eligibility under current law of persons on the rolls on June 30, 1974, as well as those whose claims are pending at that time. The pension program as amended by this Act would, of course, be available to such persons, and if they so elect, it would become the only system under which they might qualify thereafter.

Section 9 provides for veterans and widows under the current pension system a 4-percent rate increase effective July 1, 1974, and thereafter, automatic cost-of-living increases to the same extent as authorized under section 215 of the Social Security Act as a cost-of-living increase for social security recipients.

Section 10 permits pensioners receiving benefits under the protected provision of the Veterans' Pension Act of 1959 (pension paid under the law prior to July 1, 1960) to elect benefits under title 38, as amended by this Act, instead of under title 38, as amended by the Veterans' Pension Act of 1959.

Section 11 provides that the bill shall take effect on July 1, 1974.

CHANGES IN EXISTING LAW MADE BY S. 4040, AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

TITLE 38—UNITED STATES CODE

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PART I. GENERAL PROVISIONS

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CHAPTER 1—GENERAL

* * * * * * *

§ 103. Special provisions relating to marriages

(a) * * *

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(e) (*1*) The marriage of a child of a veteran shall not bar recognition of such child as the child of the veteran for benefit purposes if the marriage is void, or has been annulled by a court with basic authority to render annulment decrees unless the Veterans' Administration determines that the annulment was secured through fraud by either party or collusion.

(*2*) *The marriage of a child of a veteran shall not bar the recognition of such child as the child of the veteran for benefit purposes if the marriage has been terminated by death or has been dissolved by a court with basic authority to render divorce decrees unless the Veterans Administration determines that the divorce was secured through fraud by either party or collusion.*

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PART II. GENERAL BENEFITS

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CHAPTER 13—DEPENDENCY AND INDEMNITY COMPENSATION FOR SERVICE-CONNECTED DEATHS

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SUBCHAPTER II—DEPENDENCY AND INDEMNITY COMPENSATION

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§ 415. Dependency and indemnity compensation to parents

(2) Dependency and indemnity compensation shall be paid monthly to parents of a deceased veteran in the amounts prescribed by this section.

(b)(1) Except as provided in paragraph (2) of this subsection, if there is only one parent, dependency and indemnity compensation shall be paid to him according to the following formula: If annual income is $800 or less, the monthly rate of dependency and indemnity compensation shall be **[**$110**]** *$123*. For each $1 of annual income in excess of $800 up to and including [$1,100] *$1,000*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of [$1,100] *$1,000* up to and including [$1,500] *$1,300*, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of [$1,500] *$1,300* up to and including [$1,700] *$1,600*, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of [$1,700] *$1,600* up to and including [$2,000] *$1,800*, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of [$2,000] *$1,800* up to and including [$2,300] *$2,000*, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of [$2,300] *$2,000* up to and including [$2,600] *$3,000*, the monthly rate shall be reduced 8 cents[.]*; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4.* No dependency and indemnity compensation shall be paid if annual income exceeds [$2,600] *$3,000.*

(2) If there is only one parent and he has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to him under either the formula of paragraph (1) of this subsection or under the formula in subsection (d), whichever is the greater. In such a case of remarriage the total combined annual income of the parent and his spouse shall be counted in determining the monthly rate of dependency and indemnity compensation under the appropriate formula.

(c) Except as provided in subsection (d), if there are two parents, but they are not living together, dependency and indemnity compensation shall be paid to each according to the following formula: If the annual income of each parent is $800 or less, the monthly rate of dependency and indemnity payable to each shall be [$77] *$86*. For each $1 of annual income in excess of $800 up to and including $1,100, the monthly rate shall be reduced 2 cents; [for each $1 of annual income in excess of $1,100 up to and including $1,400, the monthly rate shall be reduced] for each $1 of annual income in excess of [$1,400] *$1,100* up to and including [$2,300] *$2,100*, the monthly rate shall be reduced 4 cents; [and] for each $1 of annual income in excess of [$2,300] *$2,100* up to and including [$2,600] *$2,500*, the monthly rate shall be reduced 5 cents[.]*; and for each $1 of annual income in excess of $2,500 up to and including $3,000, the monthly rate shall be reduced 6 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4.* No dependency and indemnity compensation shall be paid to a parent whose annual income exceeds [$2,600] *$3,000.*

(d) If there are two parents who are living together, or if a parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such parent according to the following formula: If the total combined annual income is $1,000 or less, the monthly rate of dependency and indemnity compensation payable to each parent shall be [$74] *$83*. For each $1 of annual income in excess of $1,000 up to and incuding [$1,200] *$1,100*, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of [$1,200] *$1,100* up to and including [$2,900] *$2,500*, the monthly rate sahll be reduced 2 cents; [and] for each $1 annual income in excess of [$2,900] *$2,500* up to and including [$3,800] *$3,500*, the monthly rate shall be reduced 3 cents[.]*; and for each $1 of annual income in excess of $3,500 up to and including $4,200, the* *monthly rate shall be reduced 4 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4.* No dependency and indemnity compensation shall be paid to either parent if the total combined annual income exceeds [$3,800] *$4,200.*

(e) The Administrator shall require as a condition of granting or continuing dependency and indemnity compensation to a parent that such parent, other than one who has attained seventy-two years of age and has been paid dependency and indemnity compensation during two consecutive calendar years, file each year, with him (on the form prescribed by him) a report showing the total income which such parent expects to receive in that year and the total income which such parent received in the preceding year. The parent or parents shall file with the Administrator a revised report whenever there is a material change in the estimated annual income.

(f) If the Administrator ascertains that there have been overpayments to a parent under this section, he shall deduct such overpayments (unless waived) from any future payments made to such parent under this section.

(g)(1) In determining income under this section, all payments of any kind or from any source shall be included, except—

(A) payments of the six months' death gratuity;

(B) donations from public of private relief or welfare organizations;

(C) payments under this chapter (except section 412(a)) and chapters 11 and 15 of this title and under the first sentence of section 9(b) of the Veterans' Pension Act of 1959;

(D) lump-sum death payments under subchapter II of chapter 7 of title 42;

(E) payments of bonus or similar cash gratuity by any State based upon service in the Armed Forces;

(F) payments under policies of servicemen's group life insurance, United States Government life insurance or National Service Life Insurance, and payments of servicemen's indemnity;

(G) 10 per centum of the amount of payments to an individual under public or private retirement, annuity, endowment, or similar plans or programs:

(H) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) a deceased spouse's just debts,

(ii) the expenses of the spouse's last illness to the extent such expenses are not reimbursed under chapter 51 of this title, and

(iii) the expenses of the spouse's burial to the extent that such expenses are not reimbursed under chapter 23 or chapter 51 of this title;

(I) proceeds of fire insurance policies;

(J) amounts equal to amounts paid by a parent of a deceased veteran for—

(i) the expenses of the veteran's last illness, and

(ii) the expenses of his burial to the extent that such expenses are not reimbursed under chapter 23 of this title;

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

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

(M) payments of annuities elected under subchapter I of chapter 73 of title 10.

(2) Where a fraction of a dollar is involved, annual income shall be fixed at the next lower dollar.

(3) The Administrator may provide by regulation for the exclusion from income under this section of amounts paid by a parent for unusual medical expenses.

(h) The monthly rate of dependency and indemnity compensation payable to a parent shall be increasee by [$55] *$64* if such parent is (1) a patient in a nursing home or (2) helpless or blind or so nearly helpless or blind as to need or require the regular aid and attendance of another person.

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CHAPTER 15—PENSION FOR NON-SERVICE-CONNECTED DISABILITY OR DEATH OR FOR SERVICE

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SUBCHAPTER II—VETERAN'S PENSIONS

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NON-SERVICE-CONNECTED DISABILITY PENSION

§ 521. Veterans of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era

(a) The Administrator shall pay to each veteran of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, who meets the service requirements of this section, and who is permanently and totally disabled from non-service-connected disability not the result of the veteran's willful misconduct or vicious habits, pension at the rate prescribed by this section.

(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be [$143] *$160*. For each $1 of annual income in excess of $300 up to and including [$800] *$500*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of [$800] *$500* up to and including [$1,300] *$900*, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of [$1,300] *$900* up to and including [$1,600] *$1,500*, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of [$1,600] *$1,500* up to and including [$2,000] *$1,900*, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of [$2,000] *$1,900* up to and including [$2,400] *$2,300*, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of [$2,500] *$2,300* up to and including [$2,600] *$3,000*, the monthly rate shall be reduced 8 cents[.]*; but in no event shall the monthly rate of pension be less than $5*. No pension shall be paid if annual income exceeds [$2,600] *$3,000*.

(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child or children, pension shall be paid according to the following formula: If annual income is $500 or less, the monthly rate of pension shall be [$154] *$172* for a veteran and one dependent, [$159] *$177* for a veteran and two dependents, and [$164] *$182* for three or more dependents. For each $1 of annual income in excess of $500 up to and including [$800] *$700*, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of [$800] *$700* up to and including [$2,600] *$1,800*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of [$2,600] *$1,800* up to and including [$3,200] *$3,000*, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of [$3,200] *$3,000* up to and including [$3,700] *$3,500*, the monthly rate shall be reduced 5 cents; [and] for each $1 in excess of [$3,700] *$3,500* up to and including $3,800, the monthly rate shall be reduced 6 cents[.]*; for each $1 of annual income in excess of $3,800 up to and including $4,000, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of $4,000 up to and including $4,200, the monthly rate shall be reduced 8 cents.* No pension shall be paid if annual income exceeds [$3,800] *$4,200.*

(d) If the veteran is in need of regular aid and attendance, the monthly rate payable to him under subsection (b) or (c) shall be increased b [$110] *$123.*

(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 housebound but does not qualify for the aid and attendance rate under subsection (d) of this section, the monthly rate payable to him under subsection (b) or (c) shall increased by [$44] *$49.*

(f) For the purposes of this section—

(1) in determining annual income, where a veteran is living with his spouse, all income of the spouse which is reasonably available to or for the veteran in excess of whichever is the greater, $1,200 or the total earned income of the spouse, shall be considered as the income of the veteran, unless in the judgment of the Administrator to do so would work a hardship upon the veteran;

(2) a veteran shall be considered as living with a spouse, even though they reside apart, unless they are estranged.

(g) A veteran meets the service requirements of this section if he served in the active military, naval, or air service—

(1) for ninety days or more during either the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era;

(2) during the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era, and was discharged or released from such service for a service-connected disability;

(3) for a period of ninety consecutive days or more and such period ended during the Mexican border period or World War I, or began or ended during World War II, the Korean conflict, or the Vietnam era; or

(4) for an aggregate of ninety days or more in two or more separate periods of service during more than one period of war.

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SUBCHAPTER III—PENSIONS TO WIDOWS AND CHILDREN

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MEXICAN BORDER PERIOD, WORLD WAR I, WORLD WAR II, KOREAN CONFLICT AND THE VIETNAM ERA

§ 541. Widows of Mexican border period, World War I, World War II, Korean conflict, or Vietnam era veterans

(a) The Administrator shall pay to the widow of each veteran of the Mexican border period, World War I, World War II, the Korean conflict, or the Vietnam era who met the service requirements of section 521 of this title, or who at the time of his death was receiving (or entitled to receive) compensation or retirement pay for a service-connected disability, pension at the rate prescribed by this section.

(b) If there is no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be [$96] *$108*. For each $1 of annual income in excess of $300 up to and including $600, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $600 up to and including [$1,400] *$900*, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of [$1,400] *$900* up to and including [$2,600] *$2,100*, the monthly rate shall be reduced 4 cents; and for each $1 of annual income in excess of $2,100 up to and including $3,000, the monthly rate shall be reduced 5 cents[.]*; but in no event shall the monthly rate of pension be less than $5*. No pension shall be paid if annual income exceeds [$2,600] *$3,000*.

(c) If there is a widow and one child, pension shall be paid according to the following formula: If annual income is $700 or less, the monthly rate of pension shall be [$114] *$128*. For each $1 of annual income in excess of $700 up to and including $1,100, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $1,100 up to and including [$2,500] *$2,100*, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of [$2,500] *$2,100* up to and including [$3,400] *$3,000*, the monthly rate shall be reduced 3 cents; and for each $1 of annual income in excess of [$3,400] *$3,000* up to and including [$3,800] *$4,200*, the rate shall be reduced 4 cents. Whenever the monthly rate payable to the widow under the foregoing formula is less than the amount which would be payable to the child under section 542 of this title if the widow were not entitled, the widow will be paid at the child's rate. No pension shall be paid if the annual income exceeds [$3,800] *$4,200*.

(d) If there is a widow and more than one child, the monthly rate payable under subsection (c) shall be increased by [$18] *$20* for each additional child.

(e) No pension shall be paid to a widow of a veteran under this section unless she was married to him—

(1) before (A) December 14, 1944, in the case of a widow of a Mexican border period, World War I veteran, or (B) Janu-

ary 1, 1957, in the case of a widow of a World War II veteran, or (C) February 1, 1965, in the case of a widow of a Korean conflict veteran, or (D) before the expiration of ten years following termination of the Vietnam era in the case of a widow of a Vietnam era veteran; or

(2) for one year or more; or

(3) for any period of time if a child was born of the marriage, or was born to them before the marriage.

(f) As used in this section and section 542 of this title, the term "veteran" includes a person who has completed at least two years of honorable active military, naval, or air service, as certified by the Secretary concerned, but whose death in such service was not in line of duty.

§ 542. Children of Mexican border period, World War I, World War II, Korean conflict, or Vietnam era veterans

(a) Whenever there is no widow entitled to pension under section 541 of this title, the Administrator shall pay to the child or children of each veteran of the Mexican border period, World War I, World War II, or the Korean conflict, or the Vietnam era, who met the service requirement of section 521 of this title, or who at the time of his death was receiving (or entitled to receive) compensation or retirement pay for a service-connected disability, pension at the monthly rate of **[**$44**]** *$49* for one child, and **[**$18**]** *$20* for each additional child.

(b) Pension prescribed by this section shall be paid to eligible children in equal shares.

(c) No pension shall be paid under this section to a child whose annual income, excluding earned income, exceeds **[**$2,000**]** *$2,400.*

* * * * * * *

WIDOWS OF VETERANS OF ALL PERIODS OF WAR

§ 544. Aid and attendance allowance

If any widow is entitled to pension under this subchapter and is in need of regular aid and attendance, the monthly rate of pension payable to her shall be increased **[**$55**]** *$64.*

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PART IV. GENERAL ADMINISTRATIVE PROVISIONS

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CHAPTER 51—APPLICATIONS, EFFECTIVE DATES, AND PAYMENTS

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Subchapter II—Effective Dates

§ 3010. Effective dates of awards

(a) * * *

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(l) The effective date of an award of benefits to a widow based upon *a* termination of a remarriage by death or divorce, *or of an award or increase of benefits based on recognition of a child upon termination of* *the child's marriage by death or divorce*, shall be the date of death or the date the judicial decree or divorce becomes final, if an application therefor is received within one year from such termination.

PUBLIC LAW 90–275

* * * * * * *

SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be [$2,200 and $3,500, instead of $1,900 and $3,200,] *$2,600 and $3,900, instead of $2,200 and $3,500*, respectively.

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S. 4040

Ninety-third Congress of the United States of America

AT THE SECOND SESSION

Begun and held at the City of Washington on Monday, the twenty-first day of January, one thousand nine hundred and seventy-four

An Act

To amend title 38 of the United States Code to liberalize the provisions relating to payment of disability and death pension and dependency and indemnity compensation, to increase income limitations, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Veterans and Survivors Pension Adjustment Act of 1974".

SEC. 2. Section 521 of title 38, United States Code, is amended as follows:

(1) by amending subsection (b) to read as follows:

"(b) If the veteran is unmarried (or married but not living with and not reasonably contributing to the support of his spouse) and has no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be $160. For each $1 of annual income in excess of $300 up to and including $500, the monthly rate shall be reduced 3 cents; for each $1 annual income in excess of $500 up to and including $900, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $900 up to and including $1,500, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of $1,500 up to and including $1,900, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of $1,900 up to and including $2,300, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of $2,300 up to and including $3,000, the monthly rate shall be reduced 8 cents; but in no event shall the monthly rate of pension be less than $5. No pension shall be paid if annual income exceeds $3,000.";

(2) by amending subsection (c) to read as follows:

"(c) If the veteran is married and living with or reasonably contributing to the support of his spouse, or has a child or children, pension shall be paid according to the following formula: If annual income is $500 or less, the monthly rate of pension shall be $172 for a veteran and one dependent, $177 for a veteran and two dependents, and $182 for three or more dependents. For each $1 of annual income in excess of $500 up to and including $700, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $700 up to and including $1,800, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of $1,800 up to and including $3,000, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $3,000 up to and including $3,500, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of $3,500 up to and including $3,800, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of $3,800 up to and including $4,000, the monthly rate shall be reduced 7 cents; and for each $1 of annual income in excess of $4,000 up to and including $4,200, the monthly rate shall be reduced 8 cents. No pension shall be paid if annual income exceeds $4,200.";

(3) by amending subsection (d) by striking out "$110" and inserting in lieu thereof "$123"; and

(4) by amending subsection (e) by striking out "$44" and inserting in lieu thereof "$49".

SEC. 3. Section 541 of title 38, United States Code, is amended as follows:

(1) by amending subsection (b) to read as follows:

"(b) If there is no child, pension shall be paid according to the following formula: If annual income is $300 or less, the monthly rate of pension shall be $108. For each $1 of annual income in excess of $300 up to and including $600, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $600 up to and including $900, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of $900 up to and including $2,100, the monthly rate shall be reduced 4 cents; and for each $1 of annual income in excess of $2,100 up to and including $3,000, the monthly rate shall be reduced 5 cents; but in no event shall the monthly rate of pension be less than $5. No pension shall be paid if annual income exceeds $3,000.";

(2) by amending subsection (c) to read as follows:

"(c) If there is a widow and one child, pension shall be paid according to the following formula: If annual income is $700 or less, the monthly rate of pension shall be $128. For each $1 of annual income in excess of $700 up to and including $1,100, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $1,100 up to and including $2,100, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $2,100 up to and including $3,000, the monthly rate shall be reduced 3 cents; and for each $1 of annual income in excess of $3,000 up to and including $4,200, the monthly rate shall be reduced 4 cents. Whenever the monthly rate payable to the widow under the foregoing formula is less than the amount which would be payable to the child under section 542 of this title if the widow were not entitled, the widow will be paid at the child's rate. No pension shall be paid if the annual income exceeds $4,200.";

(3) by amending subsection (d) by striking out "$18" and inserting in lieu thereof "$20"; and

(4) by adding at the end thereof the following new subsection:

"(f) As used in this section and section 542 of this title, the term 'veteran' includes a person who has completed at least two years of honorable active military, naval, or air service, as certified by the Secretary concerned, but whose death in such service was not in line of duty.".

SEC. 4. Section 542 of title 38, United States Code, is amended as follows:

(1) by amending subsection (a) by striking out "$44" and "$18" and inserting in lieu thereof "$49" "$20", respectively; and

(2) by amending subsection (c) by striking out "$2,000" and inserting in lieu thereof "$2,400".

SEC. 5. Section 544 of title 38, United States Code, is amended by striking out "$55" and inserting in lieu thereof "$64".

SEC. 6. Section 4 of Public Law 90–275 (82 Stat. 68) is amended to read as follows:

"SEC. 4. The annual income limitations governing payment of pension under the first sentence of section 9(b) of the Veterans' Pension Act of 1959 hereafter shall be $2,600 and $3,900, instead of $2,200 and $3,500, respectively.".

SEC. 7. Section 415 of title 38, United States Code, is amended as follows:

(1) by amending subsection (b) to read as follows:

"(b)(1) Except as provided in paragraph (2) of this subsection, if there is only one parent, dependency and indemnity compensation shall be paid to him according to the following formula: If annual income is $800 or less, the monthly rate of dependency and indemnity compensation shall be $123. For each $1 of annual income in excess of $800 up to and including $1,000, the monthly rate shall be reduced 3 cents; for each $1 of annual income in excess of $1,000 up to and including $1,300, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $1,300 up to and including $1,600, the monthly rate shall be reduced 5 cents; for each $1 of annual income in excess of $1,600 up to and including $1,800, the monthly rate shall be reduced 6 cents; for each $1 of annual income in excess of $1,800 up to and including $2,000, the monthly rate shall be reduced 7 cents; and for each $1 annual income in excess of $2,000 up to and including $3,000, the monthly rate shall be reduced 8 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4. No dependency and indemnity compensation shall be paid if annual income exceeds $3,000.

"(2) If there is only one parent and he has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to him under either the formula of paragraph (1) of this subsection or under the formula in subsection (d), whichever is the greater. In such a case of remarriage the total combined annual income of the parent and his spouse shall be counted in determining the monthly rate of dependency and indemnity compensation under the appropriate formula.";

(2) by amending subsection (c) to read as follows:

"(c) Except as provided in subsection (d), if there are two parents, but they are not living together, dependency and indemnity compensation shall be paid to each according to the following formula: If the annual income of each parent is $800 or less, the monthly rate of dependency and indemnity payable to each shall be $86. For each $1 of annual income in excess of $800 up to and including $1,100, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $1,100 up to and including $2,100, the monthly rate shall be reduced 4 cents; for each $1 of annual income in excess of $2,100 up to and including $2,500, the monthly rate shall be reduced 5 cents; and for each $1 of annual income in excess of $2,500 up to and including $3,000, the monthly rate shall be reduced 6 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4. No dependency and indemnity compensation shall be paid to a parent whose annual income exceeds $3,000.";

(3) by amending subsection (d) to read as follows:

"(d) If there are two parents who are living together, or if a parent has remarried and is living with his spouse, dependency and indemnity compensation shall be paid to each such parent according to the following formula: If the total combined annual income is $1,000 or less, the monthly rate of dependency and indemnity compensation payable to each parent shall be $83. For each $1 of annual income in excess of $1,000 up to and including $1,100, the monthly rate shall be reduced 1 cent; for each $1 of annual income in excess of $1,100 up to and including $2,500, the monthly rate shall be reduced 2 cents; for each $1 of annual income in excess of $2,500 up to and including $3,500, the monthly rate shall be reduced 3 cents; and for each $1 of annual income in excess of $3,500 up to and including $4,200, the monthly rate shall be reduced 4 cents; but in no event shall the monthly rate of dependency and indemnity compensation be less than $4. No dependency and indemnity compensation shall be paid to either parent if the total combined annual income exceeds $4,200."; and

(4) by amending subsection (h) by striking out "$55" and inserting in lieu thereof "$64".

Sec. 8. (a) The Administrator of Veterans' Affairs shall carry out an original study of the needs and problems of veterans and their widows seventy-two years of age or older. The study shall include (1) a profile of the current income characteristics of such veterans and their widows, describing the proportion and amount of income from all sources and the average necessary for all necessities such as rent, food, medical care, and other items; (2) an evaluation of the adequacy of the present veterans pension system to meet the needs of such veterans and widows; and (3) actuarial information concerning the present expected mortality rates of such veterans and their widows.

(b) The Administrator shall report to the Congress and the President not later than one hundred and eighty days after the convening of the first session of the Ninety-fourth Congress the results of the study carried out under this section together with any recommendations for legislative or administrative action to improve the present program of pension benefits for such veterans and widows.

SEC. 9. (a) Subsection (e) of section 103 of title 38, United States Code, is amended—

(1) by adding "(1)" immediately before "The"; and

(2) by adding at the end thereof the following new paragraph:

"(2) The marriage of a child of a veteran shall not bar the recognition of such child as the child of the veteran for benefit purposes if the marriage has been terminated by death or has been dissolved by a court with basic authority to render divorce decrees unless the Veterans' Administration determines that the divorce was secured through fraud by either party or collusion.".

(b) Subsection (l) of section 3010 of title 38, United States Code, is amended to read as follows:

"(l) The effective date of an award of benefits to a widow based upon a termination of a remarriage by death or divorce, or of an award or increase of benefits based on recognition of a child upon termination of the child's marriage by death or divorce, shall be the date of death or the date the judicial decree or divorce becomes final, if an application therefor is received within one year from such termination.".

SEC. 10. This Act shall take effect on January 1, 1975.

Speaker of the House of Representatives.

Vice President of the United States and
President of the Senate.

9

December 11, 1974

Dear Mr. Director:

The following bills were received at the White House on December 11th:

S. 2193	H.R. 7730
S. 2363	H.R. 8352
S. 3906	H.R. 8824
S. 4040	H.R. 11929
H.R. 6274	H.R. 14214
H.R. 6925	H.R. 17026

Please let the President have reports and recommendations as to the approval of these bills as soon as possible.

Sincerely,

Robert D. Linder
Chief Executive Clerk

The Honorable Roy L. Ash
Director
Office of Management and Budget
Washington, D.C.