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THE PRESIDENT HAS SEEN. *WJ*

THE WHITE HOUSE
WASHINGTON

August 17, 1974

MR. PRESIDENT:

Attached is the staff's current thinking with regard to the Veterans Education Bill.

At Tab A is a memorandum from Ken Cole with a cover note from Bill Timmons urging that you make no definitive statements on your intentions until we have a chance to analyze the pros and cons of the major provisions in the legislation.

At Tab B is an Ash memo giving you background and key facts along with a recommendation that you urge reversals of the decisions on the loan program and extension of entitlement and the rollback of the 22.7% benefit increase to 13.6% (the House level).

If accepted, these recommendations would reduce the budget overrun from \$779. million to \$250. million.

Al Haig

Attachments

What is budget impact of House action? Or, how does it compare with 75 Budget + original Conference Report

THE WHITE HOUSE

WASHINGTON
August 16, 1974

MEMORANDUM FOR THE PRESIDENT

FROM: William E. Timmons *BT*

SUBJECT: Veterans Education Bill

Attached is an information paper from Ken Cole on subject legislation. Roy Ash is preparing a memorandum outlining a reasonable compromise you might elect to "sell" to the Veterans Affairs Members who will accompany you to the VFW Convention on Monday. It will probably be a simple cost-of-living increase in benefits.

You should know the current status of the bill. Since the conference dropped the objectionable tuition assistance grants, it added a loan program and benefits to 23%, even though the House had passed 14% and the Senate 18%. Therefore, Les Arends and the troops will try to make a point of order when the report comes up. Teague is delaying bringing the measure to the floor for adoption, threatening to go back to conference if the point is sustained and caving to the Senate on tuition grants. Hammerschmidt wants a rule waiving points of order, but Teague is threatening opponents with a worse bill.

The conference report will probably be brought up the middle of next week.

THE WHITE HOUSE

INFORMATION

WASHINGTON

August 15, 1974

MEMORANDUM FOR THE PRESIDENT
FROM: KEN COLE
SUBJECT: CONFERENCE AGREEMENT ON
VETERANS EDUCATION BILL

BACKGROUND

The Administration proposed an 8% increase in the monthly benefits for veterans in November of 1973 to correspond to the increase in cost of living. House-Senate Conferees have now reached agreement on a 22.7% benefit increase. We are not unduly concerned about this as we estimate that by September 1 the cost of living will be at about 19% over and above what it was during the base period of our original proposal.

In addition to the cost of living increase, the Conferees have agreed to a loan program with a maximum of \$1,000 per G.I. as well as extending the entitlement period from 36 to 45 months. At Administration and House insistence the tuition assistance proposal has been dropped. However, the overall price tag of this bill nets out at about \$800 million over the budget.

RECOMMENDATION

In view of the fact that you are going to the VFW Convention on Monday, I wanted to call these facts to your attention. We do not expect to receive the bill for a few weeks. Barring a firm recommendation at this time on whether you should sign or veto this bill, I would urge you to make no definitive statements on your intentions until we have a chance to analyze it and send you an analysis of the pros and cons of the major provisions in the legislation.

B

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

AUG 16 1974

MEMORANDUM FOR THE PRESIDENT

THROUGH:

~~ROY L. ASH~~

FROM:

PAUL H. O'NEILL



SUBJECT:

GI BILL AMENDMENTS

Prior to your appearance at the VFW Convention, there are some aspects of recent House-Senate Conference action which you should be aware of. We have attached, for your use, papers summarizing the situation. These include (1) background facts and recommendations and (2) a table showing budget impact.

Attachments

VETERANS EDUCATION BILLBackground

The 1975 budget proposed an 8% increase in the monthly benefits to allow for a cost-of-living increase. The House passed bill (382-0) raised the benefits 13.6%. The Senate passed bill (91-0) raised the benefits 18.1% and contained provisions authorizing tuition payments, a direct loan program, and nine additional months of education entitlement (36-45 months).

The Conference has agreed on three provisions with major budget impact, but has not yet reported them: (1) a 22.7% increase in monthly GI Bill payments; (2) a direct loan program of up to \$1,000 per veteran; and (3) nine-month extension of educational entitlement - from 36 to 45 months.

Key Facts

The monthly benefits need to be raised to enable veteran trainees to keep pace with the cost of living. The past Administration committed to accepting a cost-of-living increase consistent with the cost of living since the last change in benefits. By September, this increase is estimated at 19%.

The excessive rate increase, the direct loan program and the entitlement extension are the most objectionable provisions. They would add over \$700 million to the 1975 budget. Together with the recently enacted \$618.5 million extension of GI Bill eligibility (P.L. 93-337), the Conference bill would cause the 1975 budget for the GI Bill program of \$2.9 billion to be exceeded by well over a billion dollars. The House Committee leadership had joined the Administration in opposing the Senate on these provisions. A veto threat letter was sent to the Senate Committee Chairman regarding the provisions of the Senate Bill other than the rate increase.

Recommendation

The Conference bill is clearly inflationary. The 22.7% increase in benefits relates to a September 1 projection of a 19% change in cost of living since the last benefit change. The loan program is not only inflationary but duplicative of other Federal programs. The entitlement extension is inflationary and would largely subsidize graduate students.

We recommend that during your flight to the VFW Convention you discuss these provisions with the conferees and that you urge: (1) a reversal of the decisions on the loan program and extension of entitlement, and (2) a rollback of the 22.7% benefit increase to 13.6%, (the House level), so that you will not have to veto the bill.

If accepted, these recommendations would reduce the budget overrun from \$779. million to \$250. million.

Budget Impact of Conference Bill
S.2784, GI Bill Amendments
(in millions of dollars)

	<u>First full- year cost FY 1975 <u>1/</u></u>	<u>Cost in excess of budget</u>	<u>Cost in excess of 19% COL increase since last increase</u>
A. <u>Major provisions agreed in Conference:</u>			
1. Monthly benefit increase.....	\$ 724.3	\$ 524.3	\$ 121.8
2. 45-months entitle- ment.....	57.6	57.6	57.6
3. Direct loans.....	135.3	135.3	135.3
Subtotal.....	917.2	717.2	314.7
B. <u>Other provisions pending in Conference</u> (Refresher training, work study, etc.).....	62.0	62.0	62.0
Total Outlays.....	\$ 979.2	\$ 779.2	\$ 376.7

1/ Assumes July 1, 1974 effective date. Agency reports Conference may have set September 1 effective date. This would reduce FY 1975 impact by an amount yet to be estimated by VA. Full-year costs would remain as shown in the Table.