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

DEC 31 1976

THE PRESIDENT HAS SEEN.... INFORMATION

Handwritten initials: JRC

MEMORANDUM FOR THE PRESIDENT

Subject: Revisions of Veterans Administration budget
due to Agency appeals

The Veterans Administration (VA) has entered five appeals to your budget decisions for 1978. The appeals are summarized in the attached letter from the VA Administrator to the Director of OMB.

VA and OMB have reached agreement on the issues which will alter the budget totals for the agency as shown in the following tables. (VA did not address 1979 budget decisions in its appeal.)

	Outlays (\$ in millions)		
	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
Initial Presidential Decision...	18,897	18,502	18,347
Changes agreed to by VA and OMB:			
Medical Care - wage boards....	-	+ 30	+ 30
Grants to States - increased funding to meet growing State demands for grants for the construction of State veteran homes.....	-	+ 3	+ 3
Cemetery Construction - approval of master plans for two additional National Cemeteries (one of which would not be required under the Regional Cemetery System you approved in the FY 1976 budget).....	-	+ .6	-

Outlays
(\$ in millions)

	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
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General Operating Expenses -
restoration of FY 1978
anticipated staffing savings
from GI Bill certification
pending further development
of options; adjustments in
ADP allowances; associated
staffing adjustments.....

	<u>+3.3</u>	<u>+14.4</u>	<u>+11.0</u>
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Subtotal Changes.....	+3.3	+ 48	+ 44
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VA Total	18,900	18,550	18,391
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The additional \$30 million recommended for the Medical Care area is required to correct OMB's error in estimating the resources necessary to carry out the 1978 medical program which you approved for the Veterans Administration.

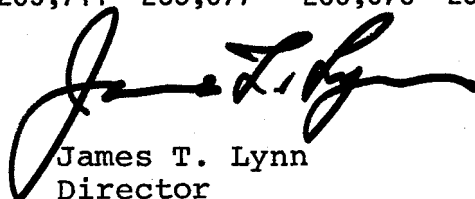
The agreements would result in the following changes to the personnel ceilings:

	<u>FY 1977</u>		<u>FY 1978</u>		<u>FY 1979</u>	
	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>
Presidential Decision.....	201,208	229,658	204,734	233,442	206,307	234,430

VA and OMB
Agreement:

General Operating Expenses.....	+660	+178	+977	+235	+269	-
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VA Total.....	201,868	229,836	205,711	233,677	206,576	234,430
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James T. Lynn
Director

Attachment



VETERANS ADMINISTRATION
OFFICE OF THE ADMINISTRATOR OF VETERANS AFFAIRS
WASHINGTON, D.C. 20420
November 30, 1976



- The Honorable
James T. Lynn
Director
Office of Management & Budget
Washington, D.C. 20503

Dear Mr. Lynn:

We have seriously considered the allowances provided for the fiscal year 1978 budget and find it necessary to request the restoration of funds in the following amounts:

	<u>FY 1977</u>	<u>FY 1978</u>
General Operating Expenses	\$ 3,500,000	\$ 18,847,000
Medical Care	---	29,943,000
Construction, Major Projects	---	3,300,000
Readjustment Benefits	---	74,312,000
Grants for Construction of State Extended Care Facilities (Proposed legislation)	---	5,000,000

Personnel ceiling adjustments are requested as follows:

	<u>September 30, 1977</u>		<u>September 30, 1978</u>	
	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>
Original Request	203,853	231,427	209,839	237,966
Allowance	201,208	229,658	204,734	233,442
Adjustments:				
General Operating Expenses	+ 1,208	+ 232	+ 1,434	+ 561
Revised Request	202,416	229,890	206,168	234,003

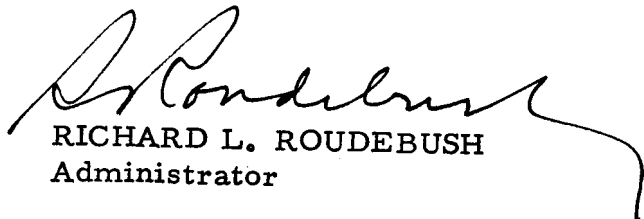
A detailed explanation of each item for which restoration of funds is requested is enclosed.

The Honorable
James T. Lynn

In regard to the allowances for FY 1979, we request restoration of amounts consistent with amounts appealed for FY 1978. It was not possible to go into an in-depth review of the allowance in light of the time factor and specific documenting data from OMB. However, a general review indicates to us that the proposed reductions will not permit a continuation of existing level of services. In particular, we feel that the allowances provided Medical Care and General Operating Expenses will prevent the effective operation of essential programs, and would prevent the Veterans Administration from providing veterans and their beneficiaries with service expected by the President.

Your careful consideration of this request will be appreciated.

Sincerely,



RICHARD L. ROUDEBUSH
Administrator

Enclosure

GENERAL OPERATING EXPENSES

FY 1977 Supplemental

	<u>Personnel</u>		<u>Budget Authority</u>	<u>Outlays</u>
	<u>FTP</u>	<u>Total</u>	<u>(in thous.)</u>	<u>(in thous.)</u>
Original Request	24,951	25,448	\$ 537,720	\$ 534,791
Allowance	23,308	24,681	528,383	525,454
Revised Request	24,516	24,913	531,883	528,954
Amount of Appeal	+ 1,208	+ 232	+ 3,500	+ 3,500

Explanation of Appeal

Conversion of Temporary Employment to "FTP" (+976): The FY 1977 total ceiling employment request of 25,448 was reduced 767 positions to a level of 24,681. Of the 767 ceiling reduction, full-time permanent employment (FTP) was reduced 1,643 but 976 other than FTP positions were added back to the total ceiling. This results in an other than FTP ceiling for G.O.E. of 1,373 for FY 1977.

This appropriation can effectively utilize only about 400 other than FTP positions. The Agency has been operating with an excess of 1,000 "other" positions for the past year but these positions were provided to the Department of Veterans Benefits by the OMB and Congress only to fill a temporary need to process higher than anticipated education workloads during FY 1976.

Now that workload is declining, reductions should first be applied to the other than FTP base as a lesser need for this type of employment exists. The Department of Veterans Benefits has encountered many administrative problems in effectively utilizing a high non permanent workforce ceiling. To meet full-time workload needs the department has been forced to place full-time permanent employees in temporary positions which is contrary to Federal Personnel policy.

It is, therefore, requested that the 1977 FTP ceiling level for G.O.E. be raised from 23,308 to 24,516 with "other" ceiling reduced to 397. This would provide the Department of Veterans Benefits with a more stable workforce and increase employee efficiency.

Additional Total Employment Request (+232): The revised request of 24,913 total positions represents a 232 position increase over the FY 1977 OMB allowance of 24,681 and a 100 position increase over the 24,813 ceiling level approved by Congress. The original 1977 OMB supplemental request included 350 positions related to the current year impact of PL 94-502 (the Veterans Education Assistance Act of 1976). In effect, the OMB allowance of 24,681 would not only require a full absorption of positions related to the supplemental, but also reduce our current allocated total ceiling by 132.

A further review of our plans for the current year indicates that a ceiling reduction of this magnitude would have serious adverse effects on our ability to handle the projected workload. Such a decrease could not be accomplished without disrupting vital services to veterans. In view of the fact that this appropriation has already undergone a 280 ceiling reduction from Congress in FY 1977, it would be extremely difficult to further reduce our requirements by the full amount recommended by OMB.

It is requested, therefore, that a partial restoration be made of the 1977 ceiling adjustment. It is essential that the 132 be restored which were cut from the current authorized ceiling. In addition, 100 of the 250 FTP positions requested for the supplemental represents a minimum need for improving the compliance survey activity and processing the additional workloads associated with PL 94-502. This would put our revised request for 1977 at 24,913 total positions and 24,516 full-time permanent positions.

Additional Budget Authority Appeal (+\$3,500,000): Our adjusted budget request for 1977 included \$11.8 million for program supplementals related to new legislation which had been passed since submission of the 1977 President's Budget. Of this request, OMB has allowed only \$2.5 million, a reduction of \$9.3 million. This reduction cannot be absorbed within the total General Operating Expenses appropriation without causing serious funding problems as Congress had already reduced this account \$4.5 million during their review.

Of the \$11.8 requested, over \$5.0 million is required for uncontrollable items not related to workload. These include the Pension study required by PL 94-432, the latest health benefits increase, the added costs of reemployed annuitants, and the increased payments for school reporting fees. In addition, some added funding is necessary to support the increased workloads related to PL 94-502 (the Veterans Assistance Act of 1976).

A partial restoration of the supplemental is requested. Another \$3.5 million is required to cover the uncontrollable costs and to support employment to process the new workload in the education program. This results in a revised supplemental request of \$6.0 million. By making a number of internal adjustments, rearranging our priorities, and beginning to reduce the Vet Rep program as recommended in your allowance, it should be possible to absorb the remaining \$5.8 million of the original request. This compromise position represents a hard estimate of our minimum operating needs for the current year.

GENERAL OPERATING EXPENSES

FY 1978 Budget

	<u>Personnel</u>		<u>Budget Authority</u>	<u>Outlays</u>
	<u>FTP</u>	<u>Total</u>	<u>(in thous.)</u>	<u>(in thous.)</u>
Original Request	25,219	25,625	\$574,514	\$574,343
Allowance	23,197	24,476	546,367	545,367
Revised Request	24,631	25,037	565,214	564,214
Amount of Appeal	1,434	561	18,847	18,847

Explanation of Appeal

Conversion of Temporary Employment to "FTP" (+873): The total ceiling positions for this program were reduced 1,149, but the full-time permanent positions were reduced 2,022. In effect, this creates an increase in the temporary ceiling positions of 873 over our request of 406. This action causes an impossible position management problem and perpetuates a condition for three years which Congress only intended to fill a temporary need during FY 1976. Now that education workload is declining, reductions in this activity should first be applied to the temporary positions as a lesser need for this type of employment exists. Continuation of this practice forces the transfer of permanent career employees to temporary positions in violation of federal employment policy. It is requested, therefore, that 873 of the temporary positions in 1978 be converted to full-time permanent ceiling.

Additional Total Employment Request (+561): A 561 restoration is requested to the total employment reduction of 1,149 in 1978. This would produce a total ceiling level of 25,037 for a net increase of only 124 over the appealed amount for 1977. This is the minimum increase necessary to keep pace with workload increases in the National Cemetery System and the Department of Data Management. These additional requirements have been practically offset by a substantial savings of 377 positions in the Department of Veterans Benefits.

These savings have resulted from reductions in the Vet Rep program and the Education program as adjustments recommended in the "Mark" have been accepted. However, some employment restoration is requested in the DVB activity to support uncontrollable workload growth. No reduction in the budget request can be accepted for the Loan Guaranty housing program as our field stations have been unable to meet minimum timeliness standards for processing appraisal requests and issuing commitments to lenders. In addition, some increased employment is necessary to achieve some improvement in the compliance survey function and to handle other aspects of the PL 94-502 increases. As indicated

in the Readjustment Benefits appeal item, the Agency opposes the implementation of monthly certification of attendance. This also produces an add-back of a few additional positions. If in fact the Agency eventually does adopt the certification requirement, a net increase of 500 man-years would be necessary to effect implementation.

No reduction can be made in the National Cemetery System's budgeted employment and full restoration is requested for this program. The Cemetery System is faced with the requirement of opening three new national cemeteries--one in Riverside, California, one at Otis Air Force Base, Massachusetts, and one at Calverton, New York. Any reduction to their employment in 1978 will delay opening of cemeteries at Riverside and Otis Air Force Base as remaining resources would only be sufficient to handle the opening at Calverton. A delay of this nature would have adverse political repercussions as the scheduled openings of these cemeteries have been well publicized.

A reduction of twenty-five positions can be realized in the Department of Data Management from the 1978 budget request by revising priorities for system development activities of the users. The remaining part of the budgeted employment level is requested to be restored as most of the increase is to support operations of current on-going systems. The current operations workload has been growing and in order to maintain service at the current level, a minimum of 66 additional positions would be required. A slight increase is also requested in auditors, and system control type personnel. In addition to a restoration for current workload growth, full restoration of all resources reduced because of an assumed three month Target System slippage is also requested. Our most recent review of the entire development and conversion process (copy of study and plan attached) reaffirms the validity of our current installation schedule. All employment and dollars budgeted for this activity should be provided as requested.

The full impact of the above considerations would be to accept a reduction of 588 positions to the 1978 request. This compromise reduction of 588 positions would allow an orderly adjustment of employment decreases related to workload reductions and avoid a forced downward adjustment which could lead to a chaotic situation.

Additional Budget Authority Appeal (+\$18,847,000): The recommended "Mark" allowance of \$546.4 million is a reduction of \$28.1 million below our 1978 request. This is a magnitude reduction of almost five percent below the total budget authority request of \$574.5 million. The allowance would provide this program with fewer resources than are needed to attain a minimum "current services" level of operation in 1978.

In order to prevent a curtailment of vital services to veterans, funding in the amount of \$8.5 million is needed to support the requested restoration in employment. An amount of \$3.0 million is requested for add-back to maintain the Target System on its current implementation schedule. The allowance also

forced a reduction in the education program cost items of State approval agency contracts and school reporting fees. These costs do not decline proportionally with decreases in the training load and any attempt to reduce their support would lead to a loss in supervision over the proprietary and vocational schools. This would cost more in the long run than the few dollars proposed for savings in 1978. \$6.8 million is requested to be restored to these items for their continued support in 1978. A restoration of \$.5 million to the reduction of \$1.5 in all other miscellaneous costs is also requested. While some reduction can be absorbed, this increase is necessary to provide supplies, equipment, etc. for the requested restoration of positions.

VETERANS ADMINISTRATION

MEDICAL CARE - FY 1978

	<u>Budget Authority (000)*</u>	<u>Outlays (000)</u>
Original Request	4,842,700	4,828,751
Allowance	4,705,983	4,694,135
Revised Request	4,735,926	4,724,078
Amount of Appeal	29,943	29,943

Explanation of Appeal

1. A detailed review of our FY 1978 OMB "mark" has been made and forms the basis for this appeal. Such appeal will be limited to the allowances related to the Medical Care appropriation; however, for the record, the resources allotted to the Research in Health Care and Assistance for Health Manpower Training Institutions appropriations are also felt to be insufficient although no formal appeal will be submitted. In addition to the above FY 1978 deficiencies, we wish at this time to appeal the FY 1979 stated allowances. Since no specifics are provided we can only respond in a total concept. The allowances for Medical Care, Research in Health Care, and Assistance for Health Manpower Training Institutions will be insufficient to maintain FY 1978 program levels in FY 1979 as currently stated.

2. The appeal is limited to one item, "Increased Usage of Supplies and Materials, Drugs, etc." The Department's request for this purpose was \$149,554,000 of which \$44,554,000 was disallowed. A restoration of \$29,943,000 is requested for this purpose. While the total request is still considered necessary the appealed amount combined with further reprogramming will allow us to cover our needs in this area.

3. This item of expense is critical to the continuation of present levels of operation. Over the years these rising costs have been satisfied by a shift in resources from personal services support for Medical Care employment. Without these additional resources, employment levels can be expected to be reduced nationwide by approximately 1,776 positions. Therefore, employment gains realized in the FY 1978 allowance will be discounted by this action.

4. The original estimate for this purpose is supported by field facility forecasts. In addition, attached is a table identifying the average percentage increase over an eight year period, FY 1968-1976, and the related percentage increase requested for FY 1978. It is quite apparent that the request is not excessive and is absolutely critical to the continued growth of the Medical Care program in order to provide quality care to eligible veteran patients.

5. While the Department of Medicine and Surgery is fully cognizant of the enormous economic problems facing the nation we must also consider the scope of the responsibilities placed upon us by the legislative and executive branches of our government to provide "quality" health services to all eligible veteran beneficiaries. To meet this charge the additional \$29,943,000 will be required in FY 1978 and succeeding fiscal years.

Att. (2)

INCREASED USAGE JUSTIFICATION

(\$ in thousands)

		1	2	3	4
		INCREASED USAGE		1968-1976 ACT.	
		1978	% INCREASE OVER 1977	AVERAGE ANN. % INCREASE	
1	21 Travel				
2	Other 2/	92.8	7.4	35.3	
3					
4	22 Transportation of Things				
5	Shipment of Household Goods	305	7.1	23.3	
6	Other Transportation	408	6.6	18.9	
7					
8					
9	23 Rent, Communications & Utilities				
10	Rental of Equipment	1372	16.1	16.2	
11	Communications	3993	11.0	41.9	
12	Utilities	983.4	13.5	32.2	
13					
14					
15	24 Printing & Reproduction	178	4.8	29.6	
16					
17	25 Other Services				
18	Outpatient Dental Fees	10068	16.3	302.0	
19	Medical & Nursing Fees	5115	7.2	49.4	
20	Repairs to Furniture & Equip.	1105	7.6	46.7	
21	M&R Contractual Services	231.0	5.3	43.6	
22	Intensive Therapy	387	6.8	8.1	
23	Contract Hospitalization	6905	12.7	19.4	
24	Community Nursing Home	11680	15.8	46.5	
25	Repairs to Prosthetic Appliances	535	12.3	22.7	
26	Other Contractual Svcs.	12819	13.4	123.9	
27	CHAMPVA 3/	3639	11.0	1825.4	
28					
29	26 Supplies & Materials				
30	Pharmaceuticals	5102	6.6	7.2	
31	Drugs & Medicine	24840	13.9	30.7	
32	Blood & Blood Products	1427	10.7	36.7	
33	Medical & Dental Supplies	13848	10.2	38.3	
34	Fuels	1921	10.1	22.3	
35	Operating Supplies	7332	11.0	51.5	
36	M&R Supplies	3936	10.1	27.9	
37	Linens & Uniforms	1442	13.4	18.3	
38	Office Supplies	1633	12.3	24.3	
39	Prosthetic Appliances	5627	12.5	40.6	
40	Fee Prescriptions	1395	11.9	29.7	
41					
42	TOTAL	140054			
43					
44	1/ 1976-1968 ÷ 8				
45	2/ 1968 ESTIMATE OF \$1000 (1968 NOT AVAILABLE)				
46	3/ 1974-1976 INCREASE ONLY (FIRST YEAR WAS 1974)				

	1968	1969	1970	1971	1972	1973	1974	1975	1976
Costs by Object									
21 Travel									
Employee.....	1,074	1,208	1,483	1,738	1,755	2,014	2,137	2,402	2,763
Beneficiary.....	...	...	14,490	16,958	20,625	24,523	29,142	43,992	52,406
Other.....	11,387	13,454	1,150	1,555	1,965	2,326	2,679	3,258	3,826
Sub-Total.....	12,461	14,662	17,123	20,251	24,344	28,863	33,957	49,652	58,995
22 Transportation of Things									
Shipment of Household Goods.....	1,250	1,235	1,228	1,813	1,951	2,236	2,560	3,387	3,577
Other Transportation.....	2,250	2,279	2,511	2,858	3,675	4,110	4,646	5,226	5,652
Sub-Total.....	3,500	3,513	3,739	4,671	5,626	6,346	7,206	8,613	9,228
23 Rent, Communications, & Util.									
Motion Picture Film.....	842	467	249	194	197	179	163	126	223
Rental of Equipment.....	2,934	3,322	4,557	2,491	2,673	3,133	3,906	5,408	6,728
Communications.....	6,685	7,413	8,194	9,719	12,179	15,783	19,698	23,284	29,102
Utilities.....	16,300	17,996	19,446	22,380	25,934	29,814	34,776	47,515	58,235
GSA Basic Space Rental (SLUC)....	...	...	...	...	...	...	...	7,887	7,451
GSA Special Space Svcs.....	...	...	...	...	...	...	...	89	60
Other Real Property Rental A.....	...	...	...	...	...	247	414	439	821
Sub-Total.....	26,761	29,197	32,446	34,784	40,983	49,157	58,958	84,749	102,621
24 Printing & Reproduction.....	993	1,112	1,169	1,275	1,388	1,726	2,158	3,299	3,340
25 Other Services									
Outpatient Dental Fees.....	2,192	4,967	15,954	36,566	48,176	55,415	45,269	51,429	55,145
Medical & Nursing Fees.....	11,470	13,282	15,133	18,285	23,430	28,672	34,396	45,255	56,825
Repairs to Furniture & Equip.....	2,332	2,584	3,041	3,639	4,379	5,216	6,745	9,242	11,053
M & R Contractual Services.....	8,216	6,875	8,725	13,050	21,289	24,618	25,275	35,111	36,903
Incentive Therapy.....	1,784	1,774	1,694	1,714	1,779	1,848	1,895	2,102	2,941
Contract Hospitalization.....	16,570	16,532	17,616	16,809	18,985	19,716	27,526	38,284	42,230
Community Nursing Home.....	11,750	15,774	19,515	19,264	23,617	28,205	31,833	46,279	55,503
Repairs to Prosthetic Appl.....	1,381	1,516	1,682	1,920	2,248	2,618	2,917	3,391	3,892
Other Contractual Svcs.....	7,264	8,578	20,223	27,205	33,052	41,366	48,147	67,460	78,664
CHAMPVA.....	...	...	...	...	...	...	589	13,208	22,092
Sub-Total.....	62,959	71,881	103,583	138,452	176,956	207,673	224,592	311,761	365,248
26 Supplies & Materials									
Provisions.....	45,069	44,226	43,758	44,289	45,640	49,940	59,788	66,632	71,045
Drugs & Medicines.....	42,214	47,908	53,560	61,401	73,910	84,533	97,355	118,711	145,915
Blood & Blood Products.....	2,805	3,361	3,892	4,365	5,280	6,166	7,388	9,150	11,032
Medical & Dental Supplies.....	27,241	30,110	34,033	39,802	49,431	61,047	71,789	91,989	110,715
Fuels.....	5,486	4,774	4,493	5,236	5,417	5,826	6,632	14,102	15,278
Operating Supplies.....	11,232	11,614	12,381	15,436	21,208	29,509	33,607	46,767	57,472
M & R Supplies.....	10,317	10,688	10,839	13,464	17,849	19,714	22,207	27,854	33,334
Linens & Uniforms.....	3,962	4,527	4,850	7,028	6,345	7,386	8,137	10,036	9,749
Office Supplies.....	3,767	3,712	4,258	4,581	5,797	7,019	7,274	10,078	11,093
Prosthetic Appliances.....	8,826	10,433	12,196	15,465	19,728	23,091	25,677	30,663	37,472
Fee Prescriptions.....	2,786	2,630	2,832	3,153	4,145	4,920	5,744	7,564	9,401
Sub-Total.....	163,705	173,984	187,092	214,220	254,749	299,151	347,597	433,547	512,507

CONSTRUCTION - MAJOR PROJECTS

CEMETERY PROJECTS - FY 1978

	<u>Budget Authority</u>	<u>Outlays</u>
Original Request	\$567,289,000	\$251,000,000
Allowance	435,000,000	241,000,000
Revised Request	438,300,000	242,000,000
Amount of Appeal	3,300,000	1,000,000

Explanation of Appeal

CALIFORNIA - VISITORS CENTER AND DEVELOP 45 ACRES (CONSTRUCTION FUNDS) \$2,700,000

An already funded project providing administration and service buildings and development of 54,000 gravesites will be completed in August 1978. The 54,000 gravesites will satisfy requirements until April 1982. Funds for design of 45 additional acres (36,000 gravesites) and a Memorial Center (Visitors' Center) were appropriated in FY 1976. The denial of construction funds for this project in FY 1978 would adversely affect the program in that it would not permit completion of the project in 1981 and would allow only one year for maturing of turf and planting before these gravesites are needed. Two years is considered a minimal time for the firm establishment of turf and planting. In the interest of providing the veterans of California and adjacent states with a national cemetery that can be viewed and utilized with pride, this project also includes a Memorial Center. There is a most urgent need in a national cemetery, that will accommodate large numbers of next-of-kin and visitors, for an area within the Memorial Center that can be used for chapel purposes (60 to 70 people). It is requested that \$2,700,000 be restored for construction of the Memorial Center and development of 45 acres.

MASTER PLAN FOR TWO NEW AREA CEMETERIES - \$600,000

The VA protests the deletion of funds requested for two of the four master plans for cemeteries. It is imperative that a cemetery be provided in standard Federal Region IV inasmuch as there are inadequate facilities in that area. The population in this region continues and will continue to grow rapidly compounding the inadequacy of the cemetery system for veterans in the Southeast. There is also a need for an additional facility in population center of Region V inasmuch as the major existing cemetery in that area, Ft. Snelling, is 700-800 miles distant from heavily populated areas in Ohio, Indiana and Michigan. It is therefore requested that \$600,000 be restored to the allowance for this purpose.

READJUSTMENT BENEFITS APPROPRIATION

(\$ in 000)

Reduction of Overpayments - FY 1978

	<u>Budget Authority</u>	<u>Outlays</u>
Original Request	\$3,453,712	\$4,366,490
Allowance	3,304,400	4,217,490
Revised Request	3,378,712	4,291,490
Amount of Appeal	74,312	74,000

Explanation of Appeal

We consistently have opposed monthly certifications of attendance as being difficult and costly to administer. During the past twelve months, the continuing emphasis placed on schools to report changes and interruptions within thirty days is achieving substantial improvement in the overpayments picture. There has recently been a decline in the number of new receivable establishments. The return to regular certification will not only require a minimum of 500 man-years to administer, but it will also greatly deter timely payments. In addition, schools have indicated that they would request an increase in their reporting fee if they had to certify on a regular basis. In summary, the extra cost, extra work, and additional payment problems do not justify the expected result. It is our position that progress already made will lead to half the reduction proposed by the OMB allowance, and, therefore only \$74.3 million of the \$149.3 million reduction is proposed for restoration.

VETERANS ADMINISTRATION

Grants for Construction of State Extended Care Facilities Proposed Legislation

	<u>Budget Authority</u> <u>(000's)</u>	<u>Outlays</u> <u>(000's)</u>
Original Request	\$10,000	\$10,000
Allowance	...	...
Revised Request	5,000	5,000
Amount of Appeal	5,000	5,000

Explanation of Appeal

We request that the authorized level for the Grants for State Nursing Homes program be raised from \$5 million to \$10 million. The current level of interest in the program from the States of Iowa, Pennsylvania, Illinois, and Utah indicates that additional funds will be required in the budget year. It is to the government's advantage to maximize the use of State facilities in lieu of VA facilities. This is consistent with the current policy of maximum outplacement.

The fiscal year 1978 OMB budget submission indicated a projected unobligated balance of \$5,084,000 at the end of 1978 consisting of \$2,684,000 for Hospital and Domiciliary projects and \$2,400,000 for Nursing Home projects. This significant unobligated balance at year end was projected as the priority for funding the State of Iowa project first prohibits funding of any other projects prior to it. Although the VA General Counsel has ruled that funding may be transferred between activities, more current information on the Hospital and Domiciliary program indicates a possible increase of \$1,800,000 in the obligation level.

THE WHITE HOUSE
WASHINGTON

TO: BOB LINDER
FROM: TRUDY FRY

The attached is sent to you for
review before it is forwarded to the
President.

PTL

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

DEC 31 1976

INFORMATION

MEMORANDUM FOR THE PRESIDENT

Subject: Revisions of Veterans Administration budget
due to Agency appeals

The Veterans Administration (VA) has entered five appeals to your budget decisions for 1978. The appeals are summarized in the attached letter from the VA Administrator to the Director of OMB.

VA and OMB have reached agreement on the issues which will alter the budget totals for the agency as shown in the following tables. (VA did not address 1979 budget decisions in its appeal.)

	Outlays (\$ in millions)		
	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
Initial Presidential Decision...	18,897	18,502	18,347
Changes agreed to by VA and OMB:			
Medical Care - wage boards....	-	+ 30	+ 30
Grants to States - increased funding to meet growing State demands for grants for the construction of State veteran homes.....	-	+ 3	+ 3
Cemetery Construction - approval of master plans for two additional National Cemeteries (one of which would not be required under the Regional Cemetery System you approved in the FY 1976 budget).....	-	+ .6	-

Outlays
(\$ in millions)

	<u>FY 1977</u>	<u>FY 1978</u>	<u>FY 1979</u>
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General Operating Expenses -
restoration of FY 1978
anticipated staffing savings
from GI Bill certification
pending further development
of options; adjustments in
ADP allowances; associated
staffing adjustments.....

	<u>+3.3</u>	<u>+14.4</u>	<u>+11.0</u>
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Subtotal Changes.....	+3.3	+ 48	+ 44
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VA Total	18,900	18,550	19,391
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The additional \$30 million recommended for the Medical Care area is required to correct OMB's error in estimating the resources necessary to carry out the 1978 medical program which you approved for the Veterans Administration.

The agreements would result in the following changes to the personnel ceilings:

	<u>FY 1977</u>		<u>FY 1978</u>		<u>FY 1979</u>	
	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>	<u>FTP</u>	<u>Total</u>
Presidential Decision.....	201,208	229,658	204,734	233,442	206,307	234,430

VA and OMB
Agreement:

General Operating Expenses.....	+660	+178	+977	+235	+269	-
VA Total.....	201,868	229,836	205,711	233,677	206,576	234,430

(Signed) James T. Lynn

James T. Lynn
Director

Attachment