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VETERANS AFFAIRS WORKING GROUP *file*

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March 31, 1981

Honorable Edwin Meese, III
Counselor to the President
The White House
Washington, D.C. 20500

Dear Mr. Meese:

Following is a joint statement by the National Commanders of The American Legion, Veterans of Foreign Wars and Disabled American Veterans.

These are points the organizations would like you to consider in projecting funding for veterans programs. OMB actions contradict the following statements.

At the VFW National Convention in August 1980, Candidate Reagan said: "---to me it is unconscionable that veterans in need are denied hospital and medical care because of inadequate funding which has closed hospital beds and cut health-care personnel within the VA."

The 1980 Republican Party Platform states: "In particular we feel it is of vital importance to continue and expand the health-programs provided to veterans through the Veterans Administration hospitals. Here we see the need for increased access to care especially for older veterans."

In the face of these public statements of policy by the President and his Party, these are the things that have happened since he took office.

In a document presented to the staffs of the Committees on Veterans Affairs, the OMB Director wrote: "In addition, the existence of excess medical care capacity in many areas of the United States makes questionable the need for a separate VA medical system. This Administration will conduct a complete review of alternative methods for providing readily available, quality medical care for eligible veterans."

In an appearance before the Senate Budget Committee, the OMB Director said that the Reagan Administration is preparing --- proposals to effect a more efficient system of veterans health services.

The Administration proposes \$1.3 billion in reductions in VA programs for FY 1981 and 1982. The major areas of impact of these reductions will be the medical care program and the regional offices, both of which are the main points of contact between veterans and VA.

Mr. Edwin Meese, III

March 31, 1981

OMB defends the reductions as being less than 3.2% of the total VA budget. However that includes entitlement programs which comprise 64% of the VA Budget and are fixed costs. The reductions comprise about 10% of the adjustable funds - some 36% of the total VA Budget.

Medical care reductions will, by VA projections

Cause reduction of 933 nurses, 297 doctors and more than 4,000 medical support personnel

Cause closing 1,800 beds in 60 hospital wards, equivalent to four hospitals

Result in a decrease of 1,583,000 outpatient visits and 3,628 nursing care patients

Terminate the Readjustment Counseling Program for Vietnam veterans

Reduce VA doctors' incentive pay (provided by Congress to alleviate a severe recruitment and retention problem)

Decrease rehabilitative and medical research

Reduce vocational rehabilitation counseling for service-connected disabled veterans

Regionalization proposed for VA Regional Offices will eliminate direct service to veterans who are attempting to develop claims for benefits. Regional Offices will be reduced to information and counseling contacts.

In FY 1976 the VA Budget was 5% of the total Federal Budget. In FY 1981 the VA Budget was 3.2% of the total Federal Budget - proving that veterans programs are not expanding.

During the past ten years the size of the VA hospital system has been reduced by 20,000 beds, 15,000 of those in the last 4 years at a time when the veteran population has been increased by 9.6 million Vietnam Era veterans - and the 12.5 million WW II veteran population has reached an average age of 61 - becoming more subject to catastrophic illnesses.

Elimination of the Readjustment Counseling Program will terminate the single program established to deal with the special problems of non-readjusted Vietnam veterans.

The overwhelming majority of veterans in VA hospitals, and who use the clinics, are elderly and poor. They would be public charges in any case.

The military has indicated it is no longer able to handle any appreciable number of casualties in event of overseas hostilities. It will have to have help from VA. And VA facilities will inevitably deteriorate, both physically and in staff capabilities, under the Administration's planned reductions.

Mr. Edwin Meese, III

March 31, 1981

The veterans organizations are strongly in favor of the most efficient and cost-effective management of veterans programs, and will work positively with the Administration to that effect - if they are invited to do so. In point of fact comprehensive care in VA hospitals costs 10% less than comparable care in private sector hospitals.

The three major organizations, with their Auxiliaries, represent more than 7 million active citizens - and they speak as much as anyone can for the veteran constituency.

History shows that veterans will in fact fight to save their hospitals - and, if necessary, will take their case to the people - as they have done before.

The veterans organizations are convinced the planned funding reductions will severely hurt both medical care and delivery of service to veterans and dependents. The veterans organizations believe economies can be effected, but not in the way they are now projected by OMB.

The veterans organizations ask that the funding be replaced for medical care, for medical and prosthetic research, for rehabilitation counselling (including the Vietnam Veteran Outreach Centers), and for operation of the Regional Offices.

The veterans organizations are willing and desirous of meeting with VA and OMB officials to work out plans for economies in management and operation of veterans assistance programs.

If current OMB policies vis-a-vis veterans health care and regionalization of Regional Offices are pursued into future fiscal years, the VA will be unable to render effective and efficient service to the nation's 30 million veterans, their dependents and survivors.

Sincerely yours,



MICHAEL J. KOGUTEK
National Commander
The American Legion



ARTHUR J. FELLWOCK
Commander-In-Chief
Veterans of Foreign Wars of the U.S.



STAN PEALER
National Commander
Disabled American Veterans

TO: Mrs. Shannon Fairbanks
Senior Policy Adviser
Office of Policy Development

DATE: April 17, 1981

FROM: Nick Longworth
Special Assistant
Veterans Administration

SUBJECT: National Recognition
Day for Vietnam Era
Veterans, April 26,
1981

ISSUE: Administration Involvement in National Recognition Day for Vietnam Era Veterans.

BACKGROUND: Congress passed and the President has signed House Joint Resolution 182 designating April 26, 1981, as National Recognition Day for Veterans of the Vietnam Era.

Congressional action setting an April 26 date does not permit sufficient time to properly plan Federal participation in recognition of Vietnam veterans.

Meetings called by Congressman Don Albosta (D) 10th District, Michigan, who introduced the resolution, indicate that the following would be considered as satisfactory White House participation in this event:

- (1) A photo opportunity whereby the Vice President would read the proclamation at the White House after the President has signed it.
- (2) A ceremony at the site of the Vietnam Memorial in Constitution Gardens at 2:00 p.m., April 26, 1981, which would include reading of the proclamation by an emissary from the White House, possibly the Secretary of State or the Secretary of Defense.

Other than these activities it would seem possible for the White House to name an action agency to coordinate Federal participation in a Constitution Gardens ceremony and generate public announcements at Federal installations and such other events at these installations as time and circumstances permit.

Suggestions as to the nature of the Constitution Gardens Ceremony (Attachment A) and a brief summary of concerns of Vietnam veterans with regard to Administration policy (Attachment B) are attached.

OPTIONS: As indicated.

RECOMMENDATION: That the proposals in (1) and (2) above be accepted and implemented and that the remainder of the arrangements for events of the day be coordinated by the Veterans Administration.

Nick Longworth
NICK LONGWORTH

Attachments

SUGGESTED ACTIVITIES IN WASHINGTON, D. C. ON
NATIONAL RECOGNITION DAY FOR VIETNAM ERA VETERANS,
APRIL 26, 1981

Proposed Site: Constitution Gardens, near the Lincoln Memorial,
future site of the Vietnam Veteran Memorial.

The American Legion is already planning to hold local ceremonies at this site on National Recognition Day.

The American Legion will:

- (1) Welcome two Vietnam veterans who are now on a fundraising walk from Illinois to help raise money for the Vietnam Veteran Memorial Foundation. They are reported to have raised approximately \$2,000 to \$2,500 since they began their walk.
- (2) Announce the Legion's first mailing in what is to be a continuing national mail campaign to solicit funds for the memorial.
- (3) Propose declaring July 3 as Patriotism Day in preparation for Independence Day celebrations.

Suggested Speakers

- 1) Secretary of Defense
- 2) Secretary of State
- 3) Chairman, Joint Chiefs of Staff
- 4) Service Secretaries or Representatives
- 5) Service Chiefs of Staffs

Suggested Ceremony Participants

- 1) Old Guard Fife and Drum Corps (3rd Infantry)
- 2) Marine Corps Band
- 3) Air Force Singing Sergeants
- 4) Joint Service Color Guard

Ceremony

Emphasis during ceremony and activities should not be of a memorial nature. While suitable eulogies should be paid to the 57,000 Vietnam war dead, the focus of the day's activities should be on recognizing the sacrifices and contributions of the Vietnam Era veterans.

Policy Concerns of Vietnam Veterans

Vet Centers - The Administration's decision not to extend the Readjustment Counseling Program for Vietnam veterans beyond the October 1, 1981 expiration date is not popular among Vietnam veteran activists and the media. Any public gathering could become the focal point for protesting the Administration's policy on the Vet Centers.

Agent Orange - The effects of exposure to Agent Orange is a continuing cause for concern among Vietnam veterans. This is exacerbated by organized groups which are not dissuaded by lack of medical evidence to substantiate the many claims that have been made. This requires a long term effort to pursue medical research and study medical histories while at the same time reassuring concerned veterans and their families. In the interim dissatisfaction can be expected to be evidenced, and this could occur at any public gathering of Vietnam veterans.

VA Hospitals - Of a less emotional nature, there is some dissatisfaction with the VA medical establishment on the part of some activists among Vietnam veterans on the basis that the hospital system, in their view, is geared toward the needs of an older and aging veteran population.

MEMORANDUM

THE WHITE HOUSE
WASHINGTON

May 26, 1981

FOR: VETERANS WORKING GROUP
FROM: SHANNON FAIRBANKS *SF*
SUBJECT: Meeting May 27, 1981

Please review the enclosed prior to our meeting tomorrow at 10AM in Room 474.

file

TO: Mrs. Shannon Fairbanks
Senior Policy Adviser, Office of Policy Development

FROM: Nick Longworth
Special Assistant, Veterans Administration

SUBJECT: Business Loan Program for
Vietnam Era and Disabled
Veterans

ISSUE: Providing small business loans to veterans on a priority basis.

BACKGROUND: The current Small Business Administration statute (15 USC §633(b)(1)) provides that in carrying out its functions and granting small business loans, SBA shall give special consideration to veterans. In recent years the House Committee on Veterans' Affairs has held hearings on the issue of how effectively SBA has been implementing this particular part of the statute. The consensus at these hearings has been that SBA implementation of such provisions has been ineffective. The Committee, therefore, has developed an opinion that small business loans should be available to certain veterans through the Veterans Administration.

H.R. 1139, which is currently being considered by Congress would create a VA small business loan program for Vietnam era veterans and disabled veterans. The bill, the enactment of which is opposed by the VA, would establish under the jurisdiction of the VA a program whereby eligible veterans could obtain VA guaranteed loans to start, expand or purchase small businesses. The loan amount could not exceed \$200,000 and VA's guaranty would be limited to 90% of the loan amount not to exceed \$180,000. Direct loans would be made only in cases where VA guaranteed loans would not be available as determined by VA. Such loans would be subject to the traditional requirements of adequate security and evaluation of the proposed business' potential success, among others. A \$25 million revolving fund would be created to operate the program. A copy of the VA's views on H.R. 1139 is attached.

Establishing such a program under the auspices of the Veterans Administration would have both advantages and disadvantages. The disadvantages would be as follows:

- a) The program would duplicate an existing SBA program where there are trained personnel employed who are specialized in the field.
- b) It would require substantial increases of specialized personnel with necessary skills and experience at each VA office to handle business loan applications and additional clerical personnel to process loan applications, therefore, involving increases in VA general operating expenses.
- c) The current SBA program for veterans could not be terminated as the VA small business loans would only apply to veterans of the Vietnam era and disabled veterans. Other veterans would retain eligibility for special consideration under the SBA program.

The advantages would consist of the following:

- a) Veterans would be provided with a benefit to which they are currently entitled under the SBA statute, but which SBA has not aggressively pursued.
- b) Veterans benefits programs would be centralized under the jurisdiction of one agency, and by virtue of VA having jurisdiction over the program veterans would not be competing with other classes of persons entitled to preference for small business loans as is presently the case under the existing SBA program.

OPTIONS: (1) Transfer the small business program for Vietnam era and disabled veterans to the Veterans Administration.

(2) Provide added emphasis to the existing SBA program and make it effective through direction from a White House level committee that would include representatives from Small Business Administration, Veterans Administration and the Department of Labor.

RECOMMENDATION: Implementing option (2) would be the simplest, quickest and most cost effective means of insuring the success of this program.


NICK LONGWORTH



Veterans
Administration

APR 28 1981



Honorable G. V. (Sonny) Montgomery
Chairman, Committee on
Veterans' Affairs
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This will respond to your request for this Agency's views on H. R. 1139, 97th Congress, a bill "To amend title 38, United States Code, to establish a business loan program for disabled veterans and veterans of the Vietnam era, and for other purposes."

The bill would amend chapter 37, of title 38, United States Code, by adding a new Subchapter IV entitled "Business Loans." The provisions of that subchapter would authorize VA to provide assistance to eligible veterans, to finance certain business activities in the form of loan guaranties, participation loans, and direct loans.

Eligible veterans would consist of veterans with disabilities ratable at 30 percent or more by VA and Vietnam era veterans with more than 180 days of active duty or who were discharged or released from active duty for service-connected disabilities.

The assistance to be provided to small business concerns, as defined by the Administrator, would be for the purpose of (1) financing plant construction, conversion, or expansion; (2) financing the acquisition of equipment, facilities, machinery, supplies, or materials; or (3) supplying a concern with working capital. In order to qualify for such assistance the small business concern must be at least 51 percent owned by eligible veterans as defined earlier, and whose daily business operations are controlled by such individuals. Each business is eligible for only one loan.

In providing assistance to such business concerns, direct loans and participation loans could not be entertained unless the small business concern would show to the Administrator's satisfaction that it could not obtain a

2.

Honorable G. V. (Sonny) Montgomery

guaranteed loan. A guaranteed loan could not exceed \$200,000, and VA's liability could not exceed 90 percent of the loan. Each loan would be secured by a note executed by the veteran or veterans involved and may be made by lenders identified in the bill who are subject to examination and supervision by an agency of the United States or of any state. The maturity on such loans could not exceed 10 years, except for construction loans where the maturity may not exceed 20 years plus such reasonable time as would be required to complete construction. A revolving fund of \$25 million would be established to meet expenses associated with the program, not including general operating expenses. Subchapter IV would be subject to any other provisions of chapter 37 which the Administrator would designate.

Section 4 of H. R. 1139 would serve to amend the Small Business Act to include veteran owned small businesses in the class of businesses along with minority owned businesses and those owned by women given priority when dealing with U.S. Government procurement. The effective date of the bill would be at the end of 180 days following enactment.

This proposed legislation is totally devoted to commercial and industrial financing which is an area where VA currently has no specialized expertise. If enacted, the requirements would necessitate substantial infusion of new and trained personnel and therefore would have a serious impact upon VA administrative resources. Additionally, the program would essentially duplicate a current program administered by the Small Business Administration where experts and trained personnel in the field are already employed. To implement a program of this nature which parallels that available from the Small Business Administration at extensive costs to the Government would not, in our opinion, provide a substantial additional benefit to the veteran population in general.

For the foregoing reasons, the Veterans Administration opposes enactment of H. R. 1139.

Five-year cost estimates are hereby enclosed, if the bill were to be enacted with an effective date of October 1, 1981.

3.

Honorable G. V. (Sonny) Montgomery

The Office of Management and Budget advises that there is no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

Sincerely,

RUFUS H. WILSON
Acting Administrator

Enclosure

Cost Estimates

H.R. 1139, 97th Congress

1. Total 5-year costs.

<u>FY</u>	<u>Number of loans</u>	<u>Avail. Man-Years</u>	<u>General Operating Expense</u>	<u>Net Outlays Business Loan Revolving Fund</u>	<u>Total Outlays</u>	<u>Funds Set Aside For Claims</u>
			In Thousands (\$000)			
1981	-	-	\$ 750	\$ -	\$ 750	-
1982	615	26	522	2,093	2,615	5,336
1983	615	26	527	2,629	3,156	5,336
1984	626	26	532	4,495	5,027	5,336
1985	590	23	538	3,277	3,815	5,336
1986	-	2	40	2,449	2,489	-
	<u>2,446</u>	<u>103</u>	<u>\$2,909</u>	<u>\$14,943</u>	<u>\$17,852</u>	

2. Description of the assistance granted to eligible veterans.

<u>FY</u>	<u>No. of Guar. Loans</u>	<u>Amt. of Guar. Loans</u>	<u>No. of Direct Loans</u>	<u>Amt. of Direct Loans</u>	<u>No. of Partici. Loans</u>	<u>Amt. Dir. Partici. Loans</u>	<u>Amt. Guar. Partic. Loans</u>
			In Thousands (\$000)				
1982	580	\$ 53,360	10	\$ 920	25	\$1,150	\$1,150
1983	580	53,360	10	920	25	1,150	1,150
1984	580	53,360	10	920	36	1,656	1,656
1985	580	53,360	10	920	-	-	-
1986	-	-	-	-	-	-	-
	<u>2,520</u>	<u>\$213,440</u>	<u>40</u>	<u>\$3,680</u>	<u>86</u>	<u>\$3,956</u>	<u>\$3,956</u>

3. Description of the operation of the business loan revolving fund over the first 5 years of the program. Also described are the total claims and the amount set aside for contingency.

<u>FY</u>	<u>Balance EOY</u>	<u>Direct & DL Partici-pation made</u>	<u>Claims Paid</u>	<u>Principal & Interest Income</u>	<u>Balance of Fund EOY</u>
		In Thousands (\$000)			
1982	25,000	-2,070	-407	+384	22,907
1983	22,907	-2,070	-1,327	+768	20,278
1984	20,278	-2,576	-3,167	+1,248	15,783
1985	15,783	-920	-3,772	+1,415	12,506
1986	12,506	-	-3,864	+1,415	10,057

2.

Cost Estimates, H.R. 1139, 97th Congress

Summary of Claims (In thousands (\$000))

Total claims @ 10%	\$21,344
Paid in first 5 years	-12,537
Balance to be paid	<u>\$ 8,807</u>

Contingent Amounts (In thousands (\$000))

Balance of Fund end of 5th year	\$10,057
Balance of claims to be paid	-8,807
Amount of contingency	<u>\$1,250</u>

EXECUTIVE DIRECTOR, WASHINGTON OFFICE

February 13, 1981

Mr. Martin Anderson
Assistant to the President
for Domestic Policy
White House
Washington, D. C. 20500

Dear Mr. Anderson:

The purpose of this letter is to request the Reagan Administration to sign a pending Veterans Small Business Executive Order. We in the Veterans of Foreign Wars of the United States have been very much involved in the workings of this particular Executive Order and have looked forward to its passage with much anticipation.

Through our contacts within the White House we have learned that the reason former President Carter chose not to sign this particular Executive Order is that he felt that it would be considered a major policy initiative and, as such, felt that it would serve little purpose if the new Administration either ignored or countermanded this particular Executive Order. While the Carter Administration's justification for the non-action on this Executive Order is now moot we are greatly concerned that final action on this Executive Order be completed.

Attached you will find a copy of the Executive Order. Input into the Executive Order came from a \$50,000 study on veterans and small businesses conducted by the Center for Community Economics under contract to the Small Business Administration. The Order was strengthened after a review by the Veterans Administration, Office of Management and Budget, and White House Veterans Coordinating Committee.

One area of the Executive Order which we feel is most important deals with the requirement that a task force on veterans business enterprises be established in the White House Veterans Coordinating Committee, comprised of representatives of all of the major agencies of the federal government. An important stipulation to the task force is that within six months after the effective date of the Executive Order, they submit to the President a comprehensive plan for a joint federal and private sector effort which would indicate quantitative increases in new veteran-owned businesses and those existing veteran-owned businesses which would become more successful.



February 13, 1981

Although the Order and most of the programs prescribed with it do little more than implement unenforced existing law and regulations concerning veterans in small business (see Public Law 93-237), we feel that without such an Executive Order the Small Business Administration will continue to ignore the special consideration provision as it has done since January 2, 1974, when Public Law 93-237 was first enacted.

In conclusion, we feel that by signing this particular Executive Order both the Reagan Administration and the veterans of this great nation would benefit greatly. President Reagan would derive respect and support from the veteran community as a man who is truly concerned for the welfare of veterans, and veterans would benefit by finally being accorded the special consideration this statute was designed for but which has previously been ignored.

Sincerely,



COOPER T. HOLT
Executive Director

CTH:jw

Enclosure

cc: Dr. A. D. Prendergast
Small Business Administration



APR 22 1981



MEMORANDUM FOR:

Mrs. Shannon Fairbanks
Senior Policy Adviser
Office of Policy Development
The White House

Attached are brief comments concerning statements made in the joint letter to Mr. Edwin Meese, III, from the National Commanders of the three major veterans organizations. I have sent you under separate cover a draft reply to the letter.

Nick Longworth

NICK LONGWORTH
Special Assistant

Attachment

Comments Regarding Statements Made
in Joint Letter to Edwin Meese, III

- Item 1 The percentages as rounded off are correct.
- Item 2 The figures used are accurate. With respect to incentive pay for VA doctors, it is true that incentive pay was provided by the Congress to alleviate recruitment and retention problems. It is too early to assess the full impact of the proposed pay cap on recruitment and retention.
- Item 3 Regionalization per se will not eliminate direct service to veterans attempting to develop claims for benefits. It could, however, reduce the effectiveness of veterans service organization claims representatives who work in regional offices if it is not possible for them to review the claims folders of veterans. The impact of regionalization will be dependent upon the cutoff point as to which of the work will be done in regional offices and which will be centralized.
- Item 4 The cost of veterans programs has increased although the relative size of the programs with respect to the total budget has decreased as indicated. The percentage figures are essentially correct.
- Item 5 The number of operating beds is not a proper index of the sufficiency of the system or the quality of medical care. There is a point where reduction of beds will have deleterious results. For the most part the improvements in medical care leading to a reduction in the average number of days for inpatient care and reductions in hospital admissions because of increases in outpatient care have been the prime factors in reducing the number of operating beds needed. There is concern, however, as to the adequacy of the system to meet demands that will result from an aging World War II veteran population.
- Item 6 This is an accurate statement.
- Item 7 This is an accurate statement.
- Item 8 The VA medical system represents a valuable resource in case of conflict. It is not correct to suggest that VA facilities will inevitably deteriorate. Planned reductions could well lead to a smaller system and one that would require that stiffer eligibility requirements be instituted. It is not necessarily true that a less adequate system would result.
- Item 9 This is an accurate statement.
- Item 10 This is an accurate statement.
- Item 11 This is an accurate statement.

Continued

- Item 12 This is an accurate and fair statement of their views.
- Item 13 These are areas that Congress is likely to fund.
- Item 14 Such meetings would be useful provided all parties are willing to proceed on the basis of areas of agreement.
- Item 15 Clarification of policy and an indication of anticipated budget trends are needed in order to quell present fears in veterans circles as to the long range intent of OMB.

March 31, 1981

Honorable Edwin Meese, III
Counselor to the President
The White House
Washington, D.C. 20500

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In a document presented to the staffs of the Committees on Veterans Affairs, the OMB Director wrote: "In addition, the existence of excess medical care capacity in many areas of the United States makes questionable the need for a separate VA medical system. This Administration will conduct a complete review of alternative methods for providing readily available, quality medical care for eligible veterans."

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Mr. Edwin Meese, III

March 31, 1981

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 - Terminate the Readjustment Counseling Program for Vietnam veterans
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- 3 # Regionalization proposed for VA Regional Offices will eliminate direct service to veterans who are attempting to develop claims for benefits. Regional Offices will be reduced to information and counseling contacts.
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- 6 # Elimination of the Readjustment Counseling Program will terminate the single program established to deal with the special problems of non-readjusted Vietnam veterans.
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Mr. Edwin Meese, III

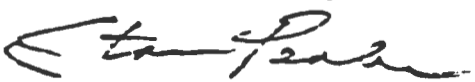
March 31, 1981

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- 11 # History shows that veterans will in fact fight to save their hospitals - and, if necessary, will take their case to the people - as they have done before.
- 12 # The veterans organizations are convinced the planned funding reductions will severely hurt both medical care and delivery of service to veterans and dependents. The veterans organizations believe economies can be effected, but not in the way they are now projected by OMB.
- 13 # The veterans organizations ask that the funding be replaced for medical care, for medical and prosthetic research, for rehabilitation counselling (including the Vietnam Veteran Outreach Centers), and for operation of the Regional Offices.
- 14 # The veterans organizations are willing and desirous of meeting with VA and OMB officials to work out plans for economies in management and operation of veterans assistance programs.
- 15 # If current OMB policies vis-a-vis veterans health care and regionalization of Regional Offices are pursued into future fiscal years, the VA will be unable to render effective and efficient service to the nation's 30 million veterans, their dependents and survivors.

Sincerely yours,


MICHAEL J. KOGUTEK
National Commander
The American Legion


ARTHUR J. FELLWOCK
Commander-In-Chief
Veterans of Foreign Wars of the U.S.


STAN PEALER
National Commander
Disabled American Veterans

MEMORANDUM

THE WHITE HOUSE

WASHINGTON

May 26, 1981

F. le

FOR: VETERANS WORKING GROUP
FROM: SHANNON FAIRBANKS *SF*
SUBJECT: Meeting May 27, 1981

Please review the enclosed prior to our meeting, tomorrow
at 10AM in Room 474.

TO: Mrs. Shannon Fairbanks
Senior Policy Adviser, Office of Policy Development

FROM: Nick Longworth
Special Assistant, Veterans Administration

SUBJECT: Business Loan Program for
Vietnam Era and Disabled
Veterans

ISSUE: Providing small business loans to veterans on a priority basis.

BACKGROUND: The current Small Business Administration statute (15 USC §633(b)(1)) provides that in carrying out its functions and granting small business loans, SBA shall give special consideration to veterans. In recent years the House Committee on Veterans' Affairs has held hearings on the issue of how effectively SBA has been implementing this particular part of the statute. The consensus at these hearings has been that SBA implementation of such provisions has been ineffective. The Committee, therefore, has developed an opinion that small business loans should be available to certain veterans through the Veterans Administration.

H.R. 1139, which is currently being considered by Congress would create a VA small business loan program for Vietnam era veterans and disabled veterans. The bill, the enactment of which is opposed by the VA, would establish under the jurisdiction of the VA a program whereby eligible veterans could obtain VA guaranteed loans to start, expand or purchase small businesses. The loan amount could not exceed \$200,000 and VA's guaranty would be limited to 90% of the loan amount not to exceed \$180,000. Direct loans would be made only in cases where VA guaranteed loans would not be available as determined by VA. Such loans would be subject to the traditional requirements of adequate security and evaluation of the proposed business' potential success, among others. A \$25 million revolving fund would be created to operate the program. A copy of the VA's views on H.R. 1139 is attached.

Establishing such a program under the auspices of the Veterans Administration would have both advantages and disadvantages. The disadvantages would be as follows:

- a) The program would duplicate an existing SBA program where there are trained personnel employed who are specialized in the field.
- b) It would require substantial increases of specialized personnel with necessary skills and experience at each VA office to handle business loan applications and additional clerical personnel to process loan applications, therefore, involving increases in VA general operating expenses.
- c) The current SBA program for veterans could not be terminated as the VA small business loans would only apply to veterans of the Vietnam era and disabled veterans. Other veterans would retain eligibility for special consideration under the SBA program.

The advantages would consist of the following:

- a) Veterans would be provided with a benefit to which they are currently entitled under the SBA statute, but which SBA has not aggressively pursued.
- b) Veterans benefits programs would be centralized under the jurisdiction of one agency, and by virtue of VA having jurisdiction over the program veterans would not be competing with other classes of persons entitled to preference for small business loans as is presently the case under the existing SBA program.

OPTIONS: (1) Transfer the small business program for Vietnam era and disabled veterans to the Veterans Administration.

(2) Provide added emphasis to the existing SBA program and make it effective through direction from a White House level committee that would include representatives from Small Business Administration, Veterans Administration and the Department of Labor.

RECOMMENDATION: Implementing option (2) would be the simplest, quickest and most cost effective means of insuring the success of this program.

Nick Longworth
NICK LONGWORTH



**Veterans
Administration**

APR 28 1981



Honorable G. V. (Sonny) Montgomery
Chairman, Committee on
Veterans' Affairs
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

This will respond to your request for this Agency's views on H. R. 1139, 97th Congress, a bill "To amend title 38, United States Code, to establish a business loan program for disabled veterans and veterans of the Vietnam era, and for other purposes."

The bill would amend chapter 37, of title 38, United States Code, by adding a new Subchapter IV entitled "Business Loans." The provisions of that subchapter would authorize VA to provide assistance to eligible veterans, to finance certain business activities in the form of loan guaranties, participation loans, and direct loans.

Eligible veterans would consist of veterans with disabilities ratable at 30 percent or more by VA and Vietnam era veterans with more than 180 days of active duty or who were discharged or released from active duty for service-connected disabilities.

The assistance to be provided to small business concerns, as defined by the Administrator, would be for the purpose of (1) financing plant construction, conversion, or expansion; (2) financing the acquisition of equipment, facilities, machinery, supplies, or materials; or (3) supplying a concern with working capital. In order to qualify for such assistance the small business concern must be at least 51 percent owned by eligible veterans as defined earlier, and whose daily business operations are controlled by such individuals. Each business is eligible for only one loan.

In providing assistance to such business concerns, direct loans and participation loans could not be entertained unless the small business concern would show to the Administrator's satisfaction that it could not obtain a

2.

Honorable G. V. (Sonny) Montgomery

guaranteed loan. A guaranteed loan could not exceed \$200,000, and VA's liability could not exceed 90 percent of the loan. Each loan would be secured by a note executed by the veteran or veterans involved and may be made by lenders identified in the bill who are subject to examination and supervision by an agency of the United States or of any state. The maturity on such loans could not exceed 10 years, except for construction loans where the maturity may not exceed 20 years plus such reasonable time as would be required to complete construction. A revolving fund of \$25 million would be established to meet expenses associated with the program, not including general operating expenses. Subchapter IV would be subject to any other provisions of chapter 37 which the Administrator would designate.

Section 4 of H. R. 1139 would serve to amend the Small Business Act to include veteran owned small businesses in the class of businesses along with minority owned businesses and those owned by women given priority when dealing with U.S. Government procurement. The effective date of the bill would be at the end of 180 days following enactment.

This proposed legislation is totally devoted to commercial and industrial financing which is an area where VA currently has no specialized expertise. If enacted, the requirements would necessitate substantial infusion of new and trained personnel and therefore would have a serious impact upon VA administrative resources. Additionally, the program would essentially duplicate a current program administered by the Small Business Administration where experts and trained personnel in the field are already employed. To implement a program of this nature which parallels that available from the Small Business Administration at extensive costs to the Government would not, in our opinion, provide a substantial additional benefit to the veteran population in general.

For the foregoing reasons, the Veterans Administration opposes enactment of H. R. 1139.

Five-year cost estimates are hereby enclosed, if the bill were to be enacted with an effective date of October 1, 1981.

3.

Honorable G. V. (Sonny) Montgomery

The Office of Management and Budget advises that there is no objection to the submission of this report to the Congress from the standpoint of the Administration's program.

Sincerely,

RUFUS H. WILSON
Acting Administrator

Enclosure

Cost Estimates

H.R. 1139, 97th Congress

1. Total 5-year costs.

<u>FY</u>	<u>Number of loans</u>	<u>Avail. Man-Years</u>	<u>General Operating Expense</u>	<u>Net Outlays Business Loan Revolving Fund</u>	<u>Total Outlays</u>	<u>Funds Set Aside For Claims</u>
			In Thousands (\$000)			
1981	-	-	\$ 750	\$ -	\$ 750	-
1982	615	26	522	2,093	2,615	5,336
1983	615	26	527	2,629	3,156	5,336
1984	626	26	532	4,495	5,027	5,336
1985	590	23	538	3,277	3,815	5,336
1986	-	2	40	2,449	2,489	-
	<u>2,446</u>	<u>103</u>	<u>\$2,909</u>	<u>\$14,943</u>	<u>\$17,852</u>	

2. Description of the assistance granted to eligible veterans.

<u>FY</u>	<u>No. of Guar. Loans</u>	<u>Amt. of Guar. Loans</u>	<u>No. of Direct Loans</u>	<u>Amt. of Direct Loans</u>	<u>No. of Partici. Loans</u>	<u>Amt. Dir. Partici. Loans</u>	<u>Amt. Guar. Partic. Loans</u>
			In Thousands (\$000)				
1982	580	\$ 53,360	10	\$ 920	25	\$1,150	\$1,150
1983	580	53,360	10	920	25	1,150	1,150
1984	580	53,360	10	920	36	1,656	1,656
1985	580	53,360	10	920	-	-	-
1986	-	-	-	-	-	-	-
	<u>2,320</u>	<u>\$213,440</u>	<u>40</u>	<u>\$3,680</u>	<u>86</u>	<u>\$3,956</u>	<u>\$3,956</u>

3. Description of the operation of the business loan revolving fund over the first 5 years of the program. Also described are the total claims and the amount set aside for contingency.

<u>FY</u>	<u>Balance EOY</u>	<u>Direct & DL Partici-pation made</u>	<u>Claims Paid</u>	<u>Principal & Interest Income</u>	<u>Balance of Fund EOY</u>
		In Thousands (\$000)			
1982	25,000	-2,070	-407	+384	22,907
1983	22,907	-2,070	-1,327	+768	20,278
1984	20,278	-2,576	-3,167	+1,248	15,783
1985	15,783	-920	-3,772	+1,415	12,506
1986	12,506	-	-3,864	+1,415	10,057

2.

Cost Estimates, H.R. 1139, 97th Congress

Summary of Claims (In thousands (\$000))

Total claims @ 10%	\$21,344
Paid in first 5 years	-12,537
Balance to be paid	<u>\$ 8,807</u>

Contingent Amounts (In thousands (\$000))

Balance of Fund end of 5th year	\$10,057
Balance of claims to be paid	-8,807
Amount of contingency	<u>\$1,250</u>

EXECUTIVE DIRECTOR, WASHINGTON OFFICE

February 13, 1981

Mr. Martin Anderson
Assistant to the President
for Domestic Policy
White House
Washington, D. C. 20500

Dear Mr. Anderson:

The purpose of this letter is to request the Reagan Administration to sign a pending Veterans Small Business Executive Order. We in the Veterans of Foreign Wars of the United States have been very much involved in the workings of this particular Executive Order and have looked forward to its passage with much anticipation.

Through our contacts within the White House we have learned that the reason former President Carter chose not to sign this particular Executive Order is that he felt that it would be considered a major policy initiative and, as such, felt that it would serve little purpose if the new Administration either ignored or countermanded this particular Executive Order. While the Carter Administration's justification for the non-action on this Executive Order is now moot we are greatly concerned that final action on this Executive Order be completed.

Attached you will find a copy of the Executive Order. Input into the Executive Order came from a \$50,000 study on veterans and small businesses conducted by the Center for Community Economics under contract to the Small Business Administration. The Order was strengthened after a review by the Veterans Administration, Office of Management and Budget, and White House Veterans Coordinating Committee.

One area of the Executive Order which we feel is most important deals with the requirement that a task force on veterans business enterprises be established in the White House Veterans Coordinating Committee, comprised of representatives of all of the major agencies of the federal government. An important stipulation to the task force is that within six months after the effective date of the Executive Order, they submit to the President a comprehensive plan for a joint federal and private sector effort which would indicate quantitative increases in new veteran-owned businesses and those existing veteran-owned businesses which would become more successful.



February 13, 1981

Although the Order and most of the programs prescribed with it do little more than implement unenforced existing law and regulations concerning veterans in small business (see Public Law 93-237), we feel that without such an Executive Order the Small Business Administration will continue to ignore the special consideration provision as it has done since January 2, 1974, when Public Law 93-237 was first enacted.

In conclusion, we feel that by signing this particular Executive Order both the Reagan Administration and the veterans of this great nation would benefit greatly. President Reagan would derive respect and support from the veteran community as a man who is truly concerned for the welfare of veterans, and veterans would benefit by finally being accorded the special consideration this statute was designed for but which has previously been ignored.

Sincerely,



COOPER T. HOLT
Executive Director

CTH:jw

Enclosure

cc: Dr. A. D. Prendergast
Small Business Administration

file

AGENDA

VETERANS AFFAIRS WORKING GROUP

July 16, 1981

*OPD
W.H Staff*

2 PM

1. National POW/MIA Recognition Day
July 17, 1981

Wickbuser

Barbara Wyatt

2. White House Briefing and Meeting for the Leaders
of Veterans Groups and Military Associations
July 17, 1981

Morton Blackwell

Ninety-seventh Congress of the United States of America

AT THE FIRST SESSION

*Begun and held at the City of Washington on Monday, the fifth day of January,
one thousand nine hundred and eighty-one*

Joint Resolution

Designating July 17, 1981, as "National P.O.W.-M.I.A. Recognition Day".

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled, That July 17, 1981, is designated as "National P.O.W.-M.I.A. Recognition Day", and the President of the United States is authorized and requested to issue a proclamation calling upon the people of the United States to observe such day with appropriate ceremonies and activities.

Speaker of the House of Representatives.

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

Office of the Press Secretary

For Immediate Release

June 12, 1981

NATIONAL P.O.W.-M.I.A. RECOGNITION DAY, 1981

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

Throughout American history our prisoners of war have been called upon to make uncommon sacrifices. In fulfilling their duty as citizens of the United States they have defended American ideals while suffering unimaginable indignities under the absolute control of the enemy. They remained steadfast even while their treatment contravened international understandings and violated elementary considerations of compassion and morality.

All Americans ought to recognize the special debt we owe to our fellow citizens who, in the act of serving our Nation, relinquished their freedom that we might enjoy the blessings of peace and liberty. Likewise, we must remember the unresolved casualties of war -- our servicemen who are still missing. The pain and bitterness of war endure for their families, relatives and friends -- and for all of us. Our Nation will continue to seek answers to the many questions that remain about their fate.

NOW, THEREFORE, I, RONALD REAGAN, President of the United States of America, do hereby proclaim Friday, July 17, 1981, as National P.O.W.-M.I.A. Recognition Day, a day dedicated to all former American prisoners of war, to those still missing, and to their families. I urge all Americans to join in honoring those who made the uncommon sacrifice of being held captive in war, and to honor as well their loved ones who have also suffered valiantly and patiently. I also call on appropriate officials of the Federal, State and local governments, as well as private organizations, to observe this day with appropriate ceremonies and activities.

IN WITNESS WHEREOF, I have hereunto set my hand this twelfth day of June, in the year of our Lord nineteen hundred and eighty-one, and of the Independence of the United States of America the two hundred and fifth.

RONALD REAGAN

WE CAME HOME

Foreword

Relive those glorious moments when we watched our Prisoners of War proudly walk from behind the prison walls of Hanoi to freedom – first stop Clark Air Base in the Philippines and then on HOME to America!

Our long vigil and prayers were answered for those who had suffered mental and physical abuse. They were not coming home to their loved ones, who had endured the tortuous hours of waiting, many times not knowing if a husband, daddy or son had been captured or would ever be seen again.

The enemy refused to release the names of those known to have died, or to have been captured. Still to this day they have now told the fate of many who have been declared MIA (missing-in-action).

While viewing those memorable moments, the thought kept recurring that the messages of these brave men – our POW's – should be preserved for posterity. With our Bicentennial celebration it seemed fitting to honor all who had served America, from our tattered, little, impoverished Continental Army to the men and women who serve in the computerized systems of the armed forces today.

For two hundred years citizens have laid down "their lives, their fortunes, and their sacred honor" to maintain freedom of thought and the rights of the individual.

In the Revolutionary War, the Barbary Coast War, the War of 1812, the Mexican-American War, the Civil War, World War I, World War II, Korea and Vietnam men have been called and answered that call – giving days, limbs, and life for this beloved country.

Our forefathers set the standards in the early documents of our nation and firmly believed that this America would remain strong as long as her guidance was from Almighty God! These men derived such strength when thrown in a cold dank dungeon, a small black room, a primitive jungle cage, and even while undergoing a torture session where they were pitted against an enemy who would endeavor to dissipate their strength, bombard their minds and reduce their resistance to the lowest point this side of death.

We all take what America has to offer, but how many give something in return. These men survived in filthy, dirty, rat-infested cells and cages trying to stop the spread of Communism and to make the world a safe place for the upcoming generations. In World War I POW's totalled 4500, in World War II 83,022, in Korea 7,140 and in Vietnam 676 – the differences were great. In other wars POW's have been treated as prisoners but in Vietnam our men were called criminals, denied their rights, and would have been tried as criminals at the cessation of the fighting had peace with honor not been achieved.

The men who have told their story in this book – each having either written or provided the material for his page, have relived their homecoming thoughts. Every page tells its own story and the photographs add a heartwarming touch.

All royalties from this publication will benefit the children of those who served as POW's, MIA's, KIA's or who were severely wounded. College scholarships will be generated from the sale of this book.

It is my sincere hope that the words written here will touch the lives of many – helping all to realize, the enemy we face, the sacrifices which have been made and the heritage we hold so dear.

Barbara Powers Wyatt
Editor



Introduction

It was nearing midnight, February 12th in California, almost 1:00 P.M., February 13th in the Philippines. The end of a day of heartbreaking delays and last minute postponements. But now at last we watched as the miracle of television brought us another miracle—one we had feared might never take place. A plane ending a flight from Hanoi was setting down at Clark Air Force Base in the Philippines bearing the first of our returning POWs.

They had undergone a longer captivity than any American fighting men in our history. For the better part of a decade they had been prisoners of an enemy ignorantly brutal and capable of the utmost in inhumanity. Now in this moment of their homecoming we braced ourselves for what we might see when the plane door opened.

The noise of the jets faded into silence, a ramp was placed at the plane's open doorway. A voice announced: "Captain Jeremiah Denton, U.S.N." He stepped into view and strode down the ramp ramrod straight, head held high. He saluted the officers in the greeting party and the flag he had served so well. Then he spoke, "We have been privileged to serve our country in a difficult time." He thanked us, the people who had lived here in comfort during all the long years of their misery, thanked the President and all those who had brought about their release and said, "God Bless America." We watched through a blur of tears as each man on the plane came down the ramp and, while they couldn't know it, they brought a healing and a restoration to the soul of a Nation.

In the weeks that followed, the scene was repeated over and over again until all who were known to be prisoners were free. When the last man was out of enemy hands, we began to hear the full story of what they had endured. Quietly and without bitterness we were told of torture—torture to obtain information, torture to obtain statements for propaganda purposes, torture simply as punishment for speaking to a fellow prisoner, torture just because it was your turn again. All of this in addition to the agony of separation from everyone you knew and loved. And as we listened we asked ourselves if we could have stood even for a day what they had endured for years.

Having the opportunity to meet and become acquainted with these men has been a moving and unforgettable experience—the humility of a man who has lived through this hell but who thanks us for our welcome to him and says, "We thought maybe you'd throw eggs at us." These are heroes who do not think of themselves as heroic. Frustrated by captivity, unable to contribute their expertise in combat, they simply did what they thought was their duty. And that duty was to resist the enemy in any way they could.

Every man has a breaking point—they knew this, knew the enemy could eventually get what ever it was he wanted. They have been asked, why then, knowing this, didn't they give in and spare themselves the torture. The answer given by one but typical of all, "Because you have to live with yourself and look at yourself in the mirror."

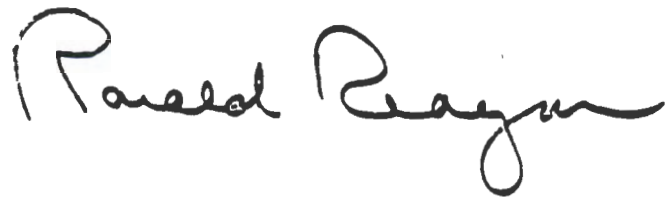
Therefore they held out not just for a single torture session but for years of repeated torture, two and a half years in solitary in a box little bigger than a coffin, manacles that crushed flesh and bone, newly healed bones rebroken and left unset, maggots permitted to eat away infected flesh in an untended wound and then washed out with urine.

This Nation has known many heroes, and no one can take from them their nobility of deed. But here were men denied the chance for heroic action in the pursuit of victory, men who could only stand tall in sight of the enemy because they felt it was their duty to do so.

One cannot be around them long without realizing they have gone through the "valley of the shadow" and emerged as very special men. There is a genuine bond of love between them, and because of this they have a greater capacity to love all mankind. Quietly, humbly, they speak of their faith in each other, in this Nation and in God.

Where and how have we found such men? Where did they come from—these men who flew from air strips or the decks of carriers out over hostile jungle ten thousand miles from their own land because it was their duty? Or the men who met the enemy on the ground in the dimness of that jungle? The answer comes as quickly as the question—where we've always found them—in the towns, cities, hamlets and farmlands of a Nation built on a belief that man contains a spark of the Divine.

May God bless these men and help us preserve a Nation where each generation can pass such manhood on to those who follow. But let us also resolve that whenever again men are asked to fight and die for this Nation, the voice of the traitor will not be allowed and this Nation will turn its full resources to achieving victory as quickly as possible.

A handwritten signature in cursive script, reading "Ronald Reagan". The signature is written in black ink on a white background. The letters are fluid and connected, with a prominent loop at the end of the word "Reagan".

~~CONFIDENTIAL~~

THE WHITE HOUSE

WASHINGTON

VETERAN AFFAIRS WORKING GROUP

September 23, 1981

10 AM

Rm. 330 OEOB

ACTION

- Jack Wheeler

COMMERCE

- Martha Heese
Associate Deputy Secretary

DEFENSE

- Col. John Fugh
Special Assistant for Legislation and Policy Matters
Office of the Deputy Assistant Secretary for Military Personnel
and Force Management

HHS

- James Stockdale
Deputy UnderSecretary for Intergovernmental Affairs
- Dr. Peter Beach
Director, Office of Veterans Affairs

JUSTICE

- Richard Willard
Counsel for Intelligence Policy and Review

LABOR

- Ralph Hall
Director, Veterans Employment Service
- Donald Shasteen
Deputy UnderSecretary for Legislative and Intergovernmental
Affairs

OMB

- Don Moran
Associate Director for Human Resources, Veterans and Labor

OPD

- Ann Fairbanks
Senior Policy Advisor
- Gary Bauer
Policy Analyst

DECLASSIFIED
Sec.3.4(b), E.O. 12958, as amended
White House Guidelines, Sept. 11, 2006
BY NARA rw, DATE 8-11-11

~~CONFIDENTIAL~~

OFFICE FOR PUBLIC LIAISON

- Morton Blackwell
Special Assistant to the President for Public Liaison

VA

- Fielding Cochran
Special assistant to the Administrator