



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

THE DIRECTOR

April 4, 2002

APR 09 2002

The Honorable Lane Evans  
U.S. House of Representatives  
Washington, D.C. 20515

Dear Representative Evans:

I am responding to your inquiry to President Bush concerning concurrent payments of Department of Veterans Affairs' (VA) disability compensation and military retirement pay.

Many veterans have served this country long and faithfully and subsequently suffered from illness or injury. Those who retired from military service have given much to this country, and we deeply appreciate their service and sacrifice. I can fully understand why you believe that they should be able to receive both their retired pay and compensation benefits.

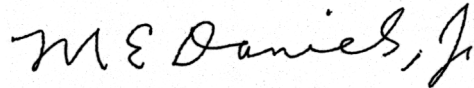
VA has been prohibited by law (title 38 U.S.C. §5304(a)(1)) from paying compensation to a military retiree unless and until the retiree had waived a portion of his or her retirement pay equal to the amount of VA compensation. Since VA compensation is always tax-free while military retirement pay is usually taxed, waiving retirement pay in favor of VA compensation generally provides a higher benefit level to the retiree.

The principle behind the statutory prohibition is the idea that no one should be able to receive concurrent retirement benefits and disability benefits based upon the same service. A retired civil servant, for example, may not receive civil service disability benefits or workers compensation benefits in addition to civil service retirement benefits. A similar ban exists against concurrent payment of retirement and disability benefits by the Social Security Administration.

Recently, VA and DoD evaluated the impact of lifting the restrictions on veterans receiving both retirement pay and disability compensation. Over a ten-year period the costs would be nearly \$58 billion. In addition, if we reverse our approach on veterans, the principle would have to be reconsidered for civil servants. Moreover, this expansion will stress the Department of Veterans Affairs' ability to meet its current responsibilities to veterans, requiring the Department to process over 800,000 new or reopened claims over the next five years.

Finally, section 641 of the National Defense Authorization Act for Fiscal Year 2002 requires that the \$58 billion cost of this proposal be offset. As we wage the war against terrorism, our highest priority must be to provide the resources the Department of Defense needs. We must take a hard look at every issue. Undoing the principle underlying the law creates a \$58 billion impact on the budget, and potentially impacts the Department of Veterans Affairs' ability to serve our veterans.

Sincerely

A handwritten signature in black ink that reads "M E Daniels, Jr". The signature is written in a cursive, slightly slanted style.

Mitchell E. Daniels, Jr  
Director

Identical Letter Sent to:

The Honorable Michael Bilirakis  
The Honorable Edolphus Towns  
The Honorable Jerry F. Costello  
The Honorable Bill Shuster  
The Honorable Ciro D. Rodriguez  
The Honorable Rick Larsen  
The Honorable Ronnie Shows  
The Honorable Shelley Berkley  
The Honorable Leonard L. Boswell  
The Honorable Ron Paul  
The Honorable Charlie Norwood  
The Honorable Max Sandlin  
The Honorable Gene Taylor  
The Honorable Bob Riley  
The Honorable Tom Davis  
The Honorable Marge Roukema  
The Honorable Walter B. Jones  
The Honorable Mike Thompson  
The Honorable Lincoln Diaz-Balart  
The Honorable Marion Berry  
The Honorable Lane Evans  
The Honorable Constance A. Morella  
The Honorable Carrie P. Meek  
The Honorable Robert Wexler  
The Honorable Mike McIntyre  
The Honorable Mike Ross  
The Honorable Dave Weldon  
The Honorable Ted Strickland  
The Honorable Virgil H. Goode, Jr.  
The Honorable Saxby Chambliss  
The Honorable George Radanovich  
The Honorable Roy Blunt  
The Honorable Lee Terry  
The Honorable David Vitter  
The Honorable Brian D. Kerns  
The Honorable William D. Delahunt  
The Honorable Peter DeFazio  
The Honorable Jim DeMint  
The Honorable Cliff Stearns  
The Honorable Joseph M. Hoeffel  
The Honorable Juanita Millender-McDonald  
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The Honorable Carolyn McCarthy  
The Honorable John Larson

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The Honorable Solomon P. Ortiz  
The Honorable John F. Tierney  
The Honorable Lois Capps  
The Honorable Ander Crenshaw  
The Honorable Cass Ballenger  
The Honorable Deborah Pryce