
LEGISLATIVE AND OVERSIGHT ACTIVITIES DURING THE
109TH CONGRESS BY THE SENATE COMMITTEE ON
VETERANS' AFFAIRS

AUGUST 3, 2007.—Ordered to be printed

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

R E P O R T

Pursuant to paragraph 8 of rule XXVI of the Standing Rules of the Senate, the Committee on Veterans' Affairs (hereinafter "Committee") submits its report on legislative and oversight activities during the 109th Congress.

I. HEARINGS AND MEETINGS

A. First session

During the First Session of the 109th Congress, the Committee held 29 hearings on legislative and oversight matters, nominations to positions in the Department of Veterans Affairs (hereinafter "VA") and the Department of Labor (hereinafter "DoL"), and on the legislative recommendations of various veterans service organizations (hereinafter "VSOs").

During the First Session, the Committee held five days of hearings on VA health care programs, legislation, and related matters (on March 17, May 12, June 9, October 20, and November 3); six days of hearings on VA compensation and pension programs, legislation, and related issues (on February 3, April 19, May 26, June 23, September 22, and October 27); two days of hearings on veterans' programs budget matters (on February 15 and June 28); four days of hearings on nominations (on January 24, April 7, July 14, and September 29); six days of hearings to receive VSOs legislative recommendations (on March 8, March 9, March 10, April 14, April 21, and September 20); and four field hearings (Chicago IL, Boise 10, Seattle WA, and Grand Junction CO).

(1) On January 24, 2005, the Committee held a hearing to consider the nomination of R. James Nicholson to be the Secretary of the Department of Veterans Affairs. The nomination was reported

to the Senate later that same day with a favorable recommendation. Mr. Nicholson was confirmed by the full Senate on January 27, 2005.

(2) On February 3, 2005, the Committee held a hearing on benefits matters titled "Benefits for Survivors: Is America fulfilling Lincoln's charge to care for the families of those killed in the line of duty?" This hearing addressed the issue of whether death and disability benefits are sufficient to meet the needs of veterans' survivors.

(3) On February 15, 2005, the Committee held a hearing on the proposed Fiscal Year 2006 budget for VA programs.

(4) On March 8, 2005, the Committee held a joint hearing with the House Committee on Veterans' Affairs to receive the legislative presentation of the Disabled American Veterans.

(5) On March 9, 2005, the Committee held a joint hearing with the House Committee on Veterans' Affairs to receive the legislative presentation of the Veterans of Foreign Wars of the United States.

(6) On March 10, 2005, the Committee held a joint hearing with the House Committee on Veterans' Affairs to receive the legislative presentations of: the Non-Commissioned Officers Association; the Blinded Veterans of America; The Military Order of the Purple Heart of the United States of America, Inc.; the Paralyzed Veterans of America; and the Jewish War Veterans of the United States of America.

(7) On March 17, 2006, the Committee held a hearing on health care related matters titled "Back from the Battlefield: Are We Providing the Proper Care for America's Wounded Warriors?" The Committee received testimony from the Department of Defense (DoD), VA, the Government Accountability Office (GAO), as well as current patients and health care providers on the process of transition from the DoD to the VA health system.

(8) On April 7, 2005, the Committee held a hearing to consider the nomination of Jonathan B. Perlin, M.D., Ph.D., to be Under Secretary for Health, Department of Veterans Affairs.

(9) On April 14, 2005, the Committee held a joint hearing with the House Committee on Veterans' Affairs to receive the legislative presentations of: the Military Officers Association of America; the National Association of State Directors of Veterans Affairs; AMVETS; American Ex-Prisoners of War; and the Vietnam Veterans of America.

(10) On April 19, 2005, the Committee held a hearing on benefits related matters titled "Back from the Battlefield, Part II: Seamless Transition to Civilian Life." The hearing was the second of two hearings held to explore the government's efforts to assist Servicemembers as they return to civilian life following a period on active duty.

(11) On April 21, 2005, the Committee held a joint hearing with House Committee on Veterans' Affairs to receive the legislative presentations of: the Fleet Reserve Association; the Air Force Sergeant Association; The Retired Enlisted Association; and the Gold Star Wives of America, Inc.

(12) On May 12, 2005, the Committee held a hearing on health related matters titled: "An Open Discussion: Planning, Providing, and Paying for Veterans' Long Term Care." The hearing provided VA with an opportunity to explain its budget proposal to limit VA-

provided geriatric nursing home care to certain special populations and to allow others to share their views on the long term care needs of veterans.

(13) On May 26, 2005, the Committee held a hearing on benefits related matters titled "Battling the Backlog: Challenges Facing the VA Claims Adjudication and Appeals Process." The hearing examined the current state of VA's claims adjudication and appeals process, focusing on measures VA is taking to achieve its objective of providing timely and accurate decisions. The Committee also explored challenges that VA faces in striving to meet that objective as well as measures that could be taken to address those challenges.

(14) On June 9, 2005, the Committee held a hearing to consider the merits of health care related legislation pending before the Committee. The bills on the agenda for discussion included: S. 481, S. 614, S. 716, S. 1176, S. 1177, S. 1180, S. 1182, S. 1189, S. 1190, and S. 1191.

(15) On June 23, 2005, the Committee held a hearing to consider the merits of benefits related legislation pending before the Committee. The bills on the agenda for discussion included: S. 151, S. 423, S. 551, S. 552, S. 909, S. 917, S. 1138, S. 1234, S. 1235, S. 1252, S. 1259, and S. 1271.

(16) On June 28, 2005, the Committee held a hearing to examine allegations that VA's Medical Care budget lacked the funding necessary to ensure needed care for all veterans for the remainder of the fiscal year. The Committee also explored ideas that would help to ensure such a shortfall would be less likely to occur in the future.

(17) On July 6, 2005, the Committee held a field hearing in Chicago, Illinois titled, "Is the VA Prepared to Meet the Needs of Our Returning Vets?" The Committee received testimony concerning VA's ability to address the needs of veterans coming back from a tour of duty overseas in Operation Enduring Freedom or Operation Iraqi Freedom.

(18) On July 14, 2005, the Committee held a hearing to consider the nominations of James P. Terry to be Chairman of the Board of Veterans' Appeals and Charles S. Ciccolella to be Assistant Secretary for the Veterans' Employment and Training Service, U.S. Department of Labor.

(19) On July 28, 2005, the Committee voted to report the nominations of James P. Terry and Charles S. Ciccolella to the Senate with favorable recommendations. Mr. Terry and Mr. Ciccolella were confirmed by the full Senate on July 29, 2005. In addition, the Committee marked-up: S. 1234, the "Veterans' Compensation Cost-of-Living Adjustment Act of 2005"; as well as the Committee Print of S.1235, the "Veterans' Benefits Improvement Act of 2005."

(20) On August 1, 2005, the Committee held a field hearing in Boise, Idaho titled, "The 116th Armored Cavalry Brigade: Are We Ready for the Return of Idaho's Soldiers?" The hearing focused predominately on the sufficiency of resources and outreach activities available to assist the State of Idaho with those service members returning from Iraq as part of the 116th Armored Cavalry Brigade.

(21) On August 3, 2005, the Committee held a field hearing in Seattle, Washington titled "Coming Home from Combat: Are Veterans Getting the Help They Need?" The hearing focused predomi-

nately on the sufficiency of resources and outreach activities available to assist the veterans of the State of Washington.

(22) On August 16, 2005, the Committee held a field hearing in Grand Junction, Colorado titled "Forgotten Veterans: Improving Health Care for Rural Veterans." The hearing focused on the adequacy of the delivery of health care provided by VA to veterans living in rural communities.

(23) On September 15, 2005, the Committee marked-up the Committee Print of S.1182, the "Veterans Health Care Improvements Act of 2005" as well as S. 716, the "Vet Center Enhancement Act of 2005."

(24) On September 20, 2006, the Committee held a hearing to receive the legislative presentation of The American Legion.

(25) On September 22, 2005, the Committee held a hearing on the rules governing burial in National Cemeteries titled "Preserving Sacred Ground: Should Capital Offenders be Buried in America's National Cemeteries?" The hearing explored the interpretation of a 1997 law that sought to bar veterans convicted of Federal and State capital crimes from burial at Arlington National Cemetery and VA National Cemeteries and the question of whether the interpretation was sufficient to address peculiarities in State sentencing of those offenders.

(26) On September 29, 2005, the Committee held a hearing to consider the nominations of: Robert J. Henke to be Assistant Secretary of Veterans Affairs for Management; John M. Molino to be Assistant Secretary of Veterans Affairs for Policy and Planning; Lisette Mondello to be Assistant Secretary of Veterans Affairs for Public and Intergovernmental Affairs; George Opfer, to be Inspector General, Department of Veterans Affairs; and William F. Tuerk to be Under Secretary of Memorial Affairs of the Department of Veterans Affairs.

Mr. Henke, Mr. Molino, Ms. Mondello, Mr. Opfer, and Mr. Tuerk were reported to the full Senate on October 18, 2005 with a recommendation that each be confirmed. The Senate confirmed Mr. Henke, Ms. Mondello, and Mr. Tuerk on October 26, 2005. Mr. Opfer was confirmed by the full Senate on November 10, 2005. Mr. Molino's nomination was withdrawn by the President of the United States on December 13, 2005.

(27) On October 20, 2005, the Committee held a hearing on health care and technology related matters titled "Information and Technology at the VA—Is It Ready for the 21st Century?" The hearing explored Congressional concern regarding the manner in which VA administers the \$2 billion budget for its information technology programs.

(28) On October 27, 2005, the Committee held a hearing on employment related programs titled "The Rising Number of Disabled Veterans Deemed Unemployable: Is the System Failing? A Closer Look at VA's Individual Unemployability Benefit." The hearing analyzed the purpose of the unemployability benefit and explored whether the program adequately serves the goal of restoring the capability of disabled veterans.

(29) On November 10, 2005, the Committee held a hearing titled "Rebuilding the Gulf Coast Following Hurricane Katrina." This hearing examined VA's efforts to rebuild its physical infrastructure

and assets as well as resume services along the Gulf Coast following Hurricane Katrina.

B. Second session

During the Second Session of the 109th Congress, the Committee held 24 hearings on legislative issues, oversight matters, nominations, and recommendations of the VSOs.

The Committee held seven days of hearings on VA health care programs, construction of medical facilities, legislation, and related matters (January 9, January 10, January 11, January 13, April 6, April 27, and May 11); one day of hearings on homeless veterans' programs (March 16); one day of hearings on veterans' programs budget matters (February 16); six days of hearings to receive the legislative recommendations of various VSOs (February 28, March 2, March 7, March 9, March 30, and September 20); two days of hearings on VA's management of data security and privacy and the Agency's information and technology assets (May 25 and July 20); four days of hearings on benefits programs and legislative matters (February 2, June 8, July 13 and September 7); two days of hearings to consider pending nominations (July 27 and September 26); one hearing on oversight of the United States Court of Appeals for Veterans Claims. The Committee held one markup on health and benefits legislation (June 22), and met to consider nominations twice (April 27, September 28).

The Committee began the Second Session of the 109th Congress by holding a series of field hearings in the State of Hawaii to assess the delivery of health care services provided by VA to the veterans of the various islands of the State. Each hearing focused on the care provided on one or more of the islands that make up the State while also focusing on one or more specific clinical services provided by VA. Details of the individual hearings follow:

(1) On January 9, 2006, the Committee held a field hearing on the Island of Kauai in the State of Hawaii. The hearing focused primarily on services provided to veterans who reside on the island as well as long-term care services provided across the State of Hawaii.

(2) On January 10, 2006, the Committee held a field hearing on the Island of Maui in the State of Hawaii. The hearing focused on care provided to veterans who reside on the island as well as those who reside on the neighboring islands of Lanai and Molokai. The hearing also focused on services provided by the Vet Center and the community-based outpatient clinic in Maui County.

(3) On January 11, 2006, the Committee held a field hearing on the Island of Oahu in the State of Hawaii. The hearing focused on VA's efforts to coordinate care between its facilities and those of Tripler Army Hospital as well as the needs of those veterans who suffer from mental illness.

(4) On January 13, 2006, the Committee held a field hearing on the Island of Hilo in the State of Hawaii. The hearing focused on individual difficulties accessing VA care on this large island and on the impending construction of Hawaii's first State Veterans Home.

(5) On February 2, 2006, the Committee held a hearing focusing on employment benefits titled "The Jobs for Veterans Act Three Years Later: Are VETS' Employment Programs Working for Veterans?" The hearing examined two employment programs adminis-

tered by the DoL's Veterans' Employment and Training Service (VETS): the Disabled Veterans' Outreach Program (DVOP) and the Local Veterans' Employment Representative (LVER) program.

(6) On February 16, 2006, the Committee held a hearing on the President's proposed budget for VA for Fiscal Year 2007.

(7) On February 28, 2006, the Committee held a hearing to receive the legislative presentation of the Disabled American Veterans.

(8) On March 2, 2006, the Committee held a hearing to receive the legislative presentations of: the Fleet Reserve Association; Air Force Sergeant's Association; The Retired Enlisted Association; Gold Star Wives of America; and Military Officers Association of America.

(9) On March 7, 2006, the Committee held a hearing to receive the legislative presentation of the Veterans of Foreign Wars of the United States.

(10) On March 9, 2006, the Committee held a hearing to receive the legislative presentations of: Paralyzed Veterans of America; Blinded Veterans Association; Jewish War Veterans of the United States of America; Non-Commissioned Officers Association; and Military Order of the Purple Heart of the United States of America, Inc.

(11) On March 16, 2006, the Committee held a hearing to assess progress on the nation's long-term commitment to end homelessness in the veterans' population. The hearing was titled "Looking at Our Homeless Veterans Programs: How Effective Are They?" The hearing allowed the Committee to consider testimony submitted by providers of homeless services around the nation in an effort to better understand the full array of Federal programs and services available to homeless veterans.

(12) On March 30, 2006, the Committee held a hearing to receive the legislative presentations of: National Association of State Directors of Veterans Affairs; AMVETS; American Ex-Prisoners of War; and the Vietnam Veterans of America.

(13) On April 6, 2006, the Committee held a hearing on VA's construction and lease authorization requests for Fiscal Year 2007. The hearing allowed Committee members to hear the views of Senators as well as VA and the Veterans of Foreign Wars (VFW) on the funding allocation proposals.

(14) On April 27, 2006, the Committee held a hearing on health care matters titled "VA Research: Investing Today to Guide Tomorrow's Treatment." The hearing highlighted the Medical and Prosthetic Research program's history of accomplishment, the budgetary challenges it is facing, and its outlook for the coming years.

(15) On May 11, 2006, the Committee held a hearing on health care matters titled "Healthcare Legislative Initiatives Currently Pending Before the U.S. Senate Committee on Veterans' Affairs." The Committee received testimony from VA and various VSOs on eight bills: S. 1537, S. 1731, S. 2433, S. 2500, S. 2634, S. 2736, S. 2753, and S. 2762.

(16) On May 25, 2006, the Committee held a joint hearing with the Senate Committee on Homeland Security and Governmental Affairs titled "VA Data Privacy Breach: Twenty-Six Million People Deserve Answers." The hearing explored the circumstances surrounding the theft of computer equipment which contained per-

sonal information on approximately 26.5 million individual veterans and their dependents. Committee members received testimony from the Secretary of Veterans Affairs as well as VA's Inspector General on the reasons for the agency's initial slow response to the theft.

(17) On June 8, 2006, the Committee held a hearing on benefits related matters titled "Benefits Legislative Initiatives Currently Pending Before the U.S. Senate Committee on Veterans' Affairs." The Committee received testimony from VA and various VSOs on six bills: S. 2121, S. 2416, S. 2562, S.2659, S. 2694, and S. 3363.

(18) On June 22, 2006, the Committee favorably reported: S. 2562, "The Veterans' Compensation Cost-of-Living Adjustment Act of 2006"; S. 3421, a bill to authorize major medical facility projects and major medical facility leases for the Department of Veterans Affairs for fiscal years 2006 and 2007; and a Committee Print of S. 2694, the "Veterans Choice of Representation and Benefits Enhancement Act of 2006." The Committee Print of S. 2694 contained provisions from S. 909, S. 1252, S. 1537, S. 1759, S. 2121, S. 2416, S. 2433, S. 2634, S. 2659, S. 2694, S. 2753, S. 2762, S. 3069, S. 3363, S. 3545, as well as original provisions.

(19) On July 13, 2006, the Committee held a hearing on benefits-related matters titled "Battling the Backlog Part II: Challenges Facing the U.S. Court of Appeals for Veterans Claims." The hearing provided Committee members with the opportunity to examine the dramatic increase in the number of cases received by the Court as well as the total number of cases pending at the Court. The Committee received testimony on measures that could be taken to help the Court address the high volume of cases as well as the backlog.

(20) On July 20, 2006, the Committee held a hearing on technology-related issues as part of a follow-up to the joint hearing held on May 25, 2006. The hearing was titled "VA Data Privacy Breach: Twenty-Six Million People Deserve Assurances of Future Security." The hearing reviewed a July 11, 2006 report issued by VA's Office of the Inspector General detailing VA's response to the loss of computer equipment and data as well as the OIG's recommendations for improving the response in the future.

(21) On July 27, 2006, the Committee held a hearing to receive testimony and review the qualifications of Patrick W. Dunne, nominated by the President to serve as Assistant Secretary of Veterans Affairs (Policy and Planning) and Thomas E. Harvey, nominated by the President to be Assistant Secretary of Veterans Affairs (Congressional and Legislative Affairs).

(22) On September 7, 2006, the Committee held a hearing on benefits related matters titled "Wounded Warrior Insurance: A First Look at a New Benefit for Traumatically Injured Servicemembers." The hearing reviewed the operations of the Traumatic Injury Protection program to determine if it was meeting its intended purpose.

(23) On September 20, 2006, the Committee held a hearing to receive the legislative presentation of the American Legion.

(24) On September 26, 2006, the Committee held a hearing to receive testimony and review the qualifications of Robert T. Howard, nominated by the President to be Assistant of Veterans Affairs (Information and Technology).

(25) On September 28, 2006, the Committee favorably reported the nomination of Robert T. Howard to be Assistant Secretary of Veterans Affairs (Information and Technology). Mr. Howard was confirmed by the Senate on September 30, 2006.

II. LEGISLATION

A. *First session*

During the First Session of the 109th Congress, the Committee met in an open session twice (July 28, 2005 and September 15, 2005) to mark up and report bills to the Senate. The Committee reported a total of four bills, which incorporated provisions from nine separate bills. The reported legislation was as follows:

1. S. 716, (Senate Report 109–180), a bill to enhance services provided by Vet Centers, to clarify and improve the provision of bereavement counseling by the Department of Veterans Affairs, and for other purposes. S. 716, as reported, passed the Senate by Unanimous Consent on November 22, 2005.

2. Committee Print of S. 1182, (Senate Report 109–177), a bill to improve health care for veterans, and for other purposes, as amended to incorporate the following provisions:

Sec. 2. To provide authority to VA to allow for the care for newborn children of women veterans receiving maternity care from VA.

Sec. 3. To enhance VA's ability to pay for health care furnished to certain children of Vietnam veterans.

Sec. 4. To make improvements to services provided to homeless veterans as well as to improve programs offered by non-government providers.

Sec. 5. To allow VA to employ additional mental health providers.

Sec. 6. Pay comparability for Chief Nursing Officer, Office of Nursing Services.

Sec. 7. Repeal the current prohibition on VA's use of appropriated funds to conduct cost comparison studies.

Sec. 8. To improve and expand the provision of mental health services by VA.

Sec. 9. To improve the sharing of data sharing between VA and DoD.

Sec. 10. To expand the National Guard Outreach Program originally begun by VA.

Sec. 11. To expand the provision of tele-health services provided by VA to veterans in remote or rural areas.

Sec. 12. To improve the reporting by VA to Congress on mental health programs.

Sec. 13. To require VA to develop a strategic plan for long-term care.

Sec. 14. To require VA to hire additional Blind Rehabilitation Outpatient Specialists.

Sec. 15. To extend a reporting requirement by VA.

Sec. 16. To ensure health care and services can be provided to veterans affected by Hurricane Katrina.

Sec. 17. To improve the reimbursement for certain veterans' outstanding emergency treatment expenses.

S. 1182, as reported, passed by the Senate by Unanimous Consent on December 22, 2005.

3. S. 1234 (Senate Report 109–138), a bill to increase the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans. S. 1234 was approved by the Senate, with an amendment, by Unanimous Consent on November 16, 2005. Subsequently, the House agreed to the bill as passed by the Senate thereby clearing the measure for presentation to the President of the United States. The President signed the bill, which became Public Law 109–111, on November 22, 2005.

4. A Committee Print of S. 1235, (Senate Report 109–139) a bill to extend the availability of \$400,000 in coverage under the Servicemembers' Group Life Insurance and Veterans' Group Life Insurance programs, and for other purposes, as amended to include the following provisions:

TITLE I—INSURANCE MATTERS

Sec. 101. Increase in amounts provided under the Servicemembers' Group Life Insurance and Veterans' Group Life Insurance programs and notification requirements to spouses of servicemembers covered under such plans.

Sec. 102. Treatment of stillborn children as insurable dependents under Servicemembers' Group Life Insurance program.

TITLE II—HOUSING MATTERS

Sec. 201. Providing VA with more flexibility under the adjustable rate mortgages program.

Sec. 202. Technical corrections to Veterans Benefits Improvement Act of 2004.

Sec. 203. Permanent authority for housing loans for Native American veterans.

TITLE III—OTHER MATTERS

Sec. 301. Requirement to submit an annual plan on outreach activities to veterans

Sec. 302. Extension of reporting requirements on equitable relief cases.

Sec. 303. Inclusion of additional diseases and conditions presumed to be associated with prisoner of war status.

Sec. 304. Requirement to develop a policy and training on standardization of post traumatic stress disorder claims.

S. 1235, as reported by the Committee was approved by the Senate by Unanimous Consent on September 28, 2005. The bill was subsequently approved by the House of Representatives on May 22, 2006 with an amendment.

On May 25, 2006, the Senate, by Unanimous Consent, agreed to the amendments proposed by the House of Representatives thereby clearing the measure for presentation to the President of the United States. The bill was signed by the President on June 15, 2006 and became Public Law 109–233 with the following provisions included:

TITLE I—HOUSING MATTERS

Sec. 101. Adapted housing assistance for disabled veterans residing temporarily in housing owned by a family member.

Sec. 102. Providing VA with more flexibility under the adjustable rate mortgages program.

Sec. 103. Permanent authority to make direct housing loans to Native American veterans.

Sec. 104. Extension of eligibility for direct loans for Native American veterans to a veteran who is the spouse of a Native American.

Sec. 105. Technical corrections to the Veterans Benefits Improvement Act of 2004.

TITLE II—EMPLOYMENT MATTERS

Sec. 201. Prescribing additional duties for the Assistant Secretary of Labor for Veterans' Employment and Training Service to raise awareness of skills of veterans and of the benefits of hiring veterans.

Sec. 202. Modifications to the Advisory Committee on Veterans Employment and Training.

Sec. 203. Reauthorization of appropriations for homeless veterans reintegration programs.

TITLE III—LIFE AND HEALTH INSURANCE MATTERS

Sec. 301. Duration of Service members' Group Life Insurance coverage for totally disabled veterans following separation from service.

Sec. 302. Limitation on premium increases for reinstated health insurance of service members released from active military service.

Sec. 303. Preservation of employer-sponsored health plan coverage for certain reserve component members who acquire TRICARE eligibility.

TITLE IV—OTHER MATTERS

Sec. 401. Inclusion of additional diseases and conditions presumed to be associated with prisoner of war status.

Sec. 402. Consolidation and revision of outreach authorities conducted by VA.

Sec. 403. Extension of annual reporting requirement on equitable relief cases.

TITLE V—TECHNICAL AMENDMENTS

Sec. 501. Technical and clarifying amendments to new traumatic injury protection coverage under Service members' Group Life Insurance.

Sec. 502. Terminology amendments to revise references to certain veterans in provisions relating to eligibility for compensation or dependency and indemnity compensation.

Sec. 503. Technical and clerical amendments.

B. Second session

During the Second Session of the 109th Congress, the Committee met in open session one time (June 22, 2006) to report three bills to the Senate. The bills incorporated provisions from twelve different Senate bills pending before the Committee as well as several original provisions.

The reported bills were as follows:

1. S. 2562 (Senate Report 109–296), a bill to increase the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for the survivors of certain disabled veterans. The bill passed the Senate by Unanimous Consent with an amendment on September 21, 2006.

The bill, as passed by the Senate, was passed by the House of Representatives by Unanimous Consent thereby clearing the measure for presentation to the President of the United States. The President signed the bill, which became Public Law 109–361, on October 16, 2006.

2. A Committee Print of S. 2694 (Senate Report 109–297), a bill to remove certain limitations on attorney representation of claimants for veterans benefits in administrative proceedings before the Department of Veterans Affairs, and for other purposes, as amended to include the following provisions:

TITLE I—VETERANS’ REPRESENTATION

Sec. 101. To allow attorney representation in veterans benefits cases before VA.

TITLE II—MEMORIAL AFFAIRS

Sec. 201. Eligibility of Indian tribal organizations for grants for the establishment of veterans’ cemeteries on trust lands.

Sec. 202. Removal of remains of Russell Wayne Wagner from Arlington National Cemetery.

Sec. 203. Provision of government markers for marked graves of veterans at private cemeteries.

TITLE III—EDUCATION MATTERS

Sec. 301. Expansion of education programs eligible for accelerated payment of educational assistance under the Montgomery GI Bill.

Sec. 302. Accelerated payment of survivors’ and dependents’ educational assistance for certain programs of education.

Sec. 303. Reimbursement of expenses for State approving agencies in the administration of educational benefits.

Sec. 304. Modification of a requirement for reporting on educational assistance program.

TITLE IV—HEALTH MATTERS

Sec. 401. Statutory establishment of Parkinson’s Disease Research, Education, Clinical Centers, and Multiple Sclerosis Centers of Excellence.

Sec. 402. Repeal of a term of office for the Under Secretary for Health and the Under Secretary for Benefits.

Sec. 403. Modifications to existing State home authorities.

Sec. 404. Establishment of the Office of Rural Health in the Veterans Health Administration.

Sec. 405. Establishment of a pilot program to improve care-giver assistance services in VA.

TITLE V—HOMELESS VETERANS ASSISTANCE

Sec. 501. Reaffirmation of a national goal to end homelessness among veterans.

Sec. 502. Sense of Congress on the response of the Federal Government to the needs of homeless veterans.

Sec. 503. Authority to make grants for comprehensive service programs for homeless veterans.

Sec. 504. Extension of treatment and rehabilitation for seriously mentally ill and homeless veterans.

Sec. 505. Extension of authority for transfer of properties obtained through foreclosure of home mortgages.

Sec. 506. Extension of funding for a grant program for homeless veterans with special needs.

Sec. 507. Extension of funding for a homeless veteran service provider technical assistance grant program.

Sec. 508. Adding an element to the annual report on assistance to homeless veterans.

Sec. 509. Advisory Committee on Homeless Veterans.

Sec. 510. Rental assistance vouchers for VA-supported housing program.

Sec. 511. Financial assistance for supportive services for very low-income veteran families in permanent housing.

TITLE VI—MISCELLANEOUS BENEFITS

Sec. 601. Allowing VA home loans for residential cooperative housing units.

Sec. 602. Increase in supplemental insurance for totally disabled veterans.

Sec. 603. Reauthorization of use of certain information from other agencies.

Sec. 604. Clarification of correctional facilities covered by certain provisions of law.

S. 2694, as reported, passed the Senate by Unanimous Consent on August 3, 2006.

3. S. 3421 (Senate Report 109–328), a bill to authorize major medical facility construction projects and major medical facility leases for the Department of Veterans Affairs for fiscal years 2006 and 2007. The bill, as reported, included the following provisions:

Sec. 1. Authorization of Fiscal Year 2006 major medical facility construction projects in New Orleans LA, Biloxi MS, and Denver CO.

Sec. 2. Extension of authorization for major medical facility construction projects authorized under Capital Asset Realignment for Enhanced Services initiative.

Sec. 3. Authorization of fiscal year 2006 major medical facility leases in Baltimore MD, Evansville IL, and Smith County TX.

Sec. 4. Authorization of fiscal year 2007 major medical facility leases in Austin TX, Lowell MA, Grand Rapids MI, Las Vegas NV, and Parma OH.

Sec. 5. Authorization of total appropriations to carry out major medical facility construction and leasing.

S. 3421 passed the Senate by Unanimous Consent on September 26, 2006 with a substitute amendment (SA 5074) to the bill which included the following provisions:

Sec. 1. Authorization of Fiscal Year 2006 major medical facility construction projects in New Orleans LA, Biloxi MS, and Denver CO.

Sec. 2. Extension of authorization for major medical facility construction projects authorized under Capital Asset Realignment for Enhanced Services initiative.

Sec. 3. Authorization for fiscal year 2007 major medical facility construction projects in American Lake WA, Columbia MO, Fayetteville AR, Milwaukee WI, and St. Louis MO.

Sec. 4. Authorization of fiscal year 2006 major medical facility leases in Baltimore, MD, Evansville IL, and Smith County TX.

Sec. 5. Authorization of fiscal year 2007 major medical facility leases in Austin TX, Lowell MA, Grand Rapids MI, Las Vegas NV, and Parma OH.

Sec. 6. Authorization of total appropriations to carry out major medical facility construction and leasing.

Sec. 7. Increase in the threshold for determination of a major medical facility project.

Sec. 8. Expansion of eligibility for survivors' and dependents educational assistance program.

S. 3421 was subsequently passed by the House of Representatives with an amendment on December 8, 2006. On December 9, 2006, the Senate, by Unanimous Consent, agreed to the amendments proposed by the House thereby clearing the bill for presentation to the President of the United States. The President signed the bill, Public Law 109-461 on December 22, 2006. P.L. 109-461 includes the following provisions:

TITLE I—ATTORNEY REPRESENTATION MATTERS

Sec. 101. Agent or attorney representation in veterans benefits cases before VA.

TITLE II—HEALTH MATTERS

Sec. 201. Additional mental health providers.

Sec. 202. Pay comparability for the Chief Nursing Officer, Office of Nursing Services.

Sec. 203. Improvement and expansion of mental health services in VA.

Sec. 204. Permitting the disclosure of certain medical records for the purpose of facilitating organ transplantation in the United States.

Sec. 205. Requiring the expansion of telehealth services to VA patients.

Sec. 206. Requiring the publication by VA of a strategic plan for long-term care.

Sec. 207. Expanding the number of facilities that must provide blind rehabilitation outpatient specialists.

Sec. 208. Extension of certain compliance reports from VA to Congress.

Sec. 209. Statutory establishment of Parkinson's Disease research, education, and clinical centers and multiple sclerosis centers of excellence.

Sec. 210. Repeal of a term of office for the Under Secretary for Health and the Under Secretary for Benefits.

Sec. 211. Modifications to certain State home authorities.

Sec. 212. Creating an Office of Rural Health in the Veterans Health Administration.

Sec. 213. Requiring an outreach program to veterans in rural areas.

Sec. 214. Establishment of a pilot program to improve care-giver assistance services.

Sec. 215. Expansion of the outreach activities of Vet Centers.

Sec. 216. Clarification and enhancement of bereavement counseling providing by VA.

Sec. 217. Increase in the funding authorization for the Vet Center program.

TITLE III—EDUCATION MATTERS

Sec. 301. Expansion of eligibility for Survivors' and Dependents' Educational Assistance Program.

Sec. 302. Restoration of lost entitlement for individuals who discontinue a program of education because of being ordered to full-time National Guard duty.

Sec. 303. Exception for institutions offering Government-sponsored, non-accredited courses to the requirement of refunding unused tuition.

Sec. 304. Extension of work-study allowance.

Sec. 305. Deadline and extension of requirement for report on educational assistance program.

Sec. 306. Report on improvement in administration of educational assistance benefits.

Sec. 307. Technical amendments relating to education laws.

TITLE IV—NATIONAL CEMETERY AND MEMORIAL AFFAIRS MATTERS

Sec. 401. Provision of Government memorial headstones or markers and memorial inscriptions for deceased dependent children of veterans whose remains are unavailable for burial.

Sec. 402. Provision of Government markers for marked graves of veterans at private cemeteries.

Sec. 403. Eligibility of Indian tribal organizations for grants for the establishment of veterans cemeteries on trust lands.

Sec. 404. Removal of remains of Russell Wayne Wagner from Arlington National Cemetery.

TITLE V—HOUSING AND SMALL BUSINESS MATTERS

Sec. 501. To allow VA's home loan program to be used by those purchasing residential cooperative housing units.

Sec. 502. VA goals for participation by small businesses owned and controlled by veterans in procurement contracts.

Sec. 503. VA contracting priority for veteran-owned small businesses.

TITLE VI—EMPLOYMENT AND TRAINING MATTERS

Sec. 601. Training of new disabled veterans' outreach program specialists and local veterans' employment representatives.

Sec. 602. Rules for part-time employment for disabled veterans' outreach program specialists and local veterans' employment representatives.

Sec. 603. Performance incentive awards for employment service offices.

Sec. 604. Demonstration project on credentialing and licensing of veterans.

Sec. 605. DoL implementation of regulations for priority of service.

TITLE VII—HOMELESS VETERANS ASSISTANCE

Sec. 701. Reaffirmation of a national goal to end homelessness among veterans.

Sec. 702. Sense of Congress on the response of the Federal Government to the needs of homeless veterans.

Sec. 703. Authority to make grants for comprehensive service programs for homeless veterans.

Sec. 704. Extension of treatment and rehabilitation for seriously mentally ill and homeless veterans.

Sec. 705. Extension of authority for transfer of properties obtained through foreclosure of home mortgages.

Sec. 706. Extension of funding for grant program for homeless veterans with special needs.

Sec. 707. Extension of funding for homeless veteran service provider technical assistance program.

Sec. 708. Additional element in annual report on assistance to homeless veterans.

Sec. 709. Advisory Committee on Homeless Veterans.

Sec. 710. Rental assistance vouchers for VA-supported housing program.

TITLE VIII—CONSTRUCTION MATTERS

Subtitle A—Construction and Lease Authorities

Sec. 801. Authorization of fiscal year 2006 major medical facility projects.

Sec. 802. Extension of authorization for certain major medical facility construction projects previously authorized in connection with Capital Asset Realignment for Enhanced Services initiative.

Sec. 803. Authorization of fiscal year 2007 major medical facility projects.

Sec. 804. Authorization of advance planning and design for a major medical facility in Charleston, South Carolina.

Sec. 805. Authorization of fiscal year 2006 major medical facility leases.

Sec. 806. Authorization of fiscal year 2007 major medical facility leases.

Sec. 807. Authorization of appropriations.

Subtitle B—Facilities Administration

Sec. 811. Creation of the position of Director of Construction and Facilities Management in VA.

Sec. 812. Increase in threshold for major medical facility projects.

Sec. 813. Land conveyance, city of Fort Thomas, Kentucky.

Subtitle C—Reports on Medical Facility Improvements

Sec. 821. Report on options for medical facility improvements in San Juan, Puerto Rico.

Sec. 822. Requirement for business plans for enhanced access to outpatient care in certain rural areas.

Sec. 823. Report on option for construction of VA Medical Center in Okaloosa County, Florida.

TITLE IX—INFORMATION SECURITY MATTERS

Sec. 902. VA information security programs and requirements.
Sec. 903. Information security education assistance programs.

TITLE X—OTHER MATTERS

Sec. 1001. Notice to congressional veterans committees of certain transfers of funds.

Sec. 1002. Clarification of correctional facilities covered by certain provisions of law.

Sec. 1003. Extension of authority for health care for participation in DOD chemical and biological warfare testing.

Sec. 1004. Technical and clerical amendments.

Sec. 1005. Codification of cost-of-living adjustment provided in Public Law 109–361.

Sec. 1006. Coordination of provisions with Veterans Programs Extension Act of 2006.

In addition, two bills passed by the House of Representatives and referred to the Committee were discharged from the Committee and subsequently passed by the Senate.

1. H.R. 1691, a bill designating the Department of Veterans Affairs outpatient clinic in Appleton, Wisconsin as the “John H. Bradley Department of Veterans Affairs Outpatient Clinic” was passed by the House of Representatives on November 2, 2005. The bill was discharged from the Committee by Unanimous Consent on March 13, 2006, and passed the Senate, by Unanimous Consent on that same day. It was presented to the President of the United States and was subsequently signed into law by the President as Public Law 109–206 on March 23, 2006.

2. H.R. 3829, a bill designating the VA Medical Center in Muskogee, Oklahoma, as the “Jack C. Montgomery Department of Veterans Affairs Medical Center” was passed by the House of Representatives on May 9, 2006. The bill was discharged from the Committee by Unanimous Consent on May 26, 2006 and passed the Senate by Unanimous Consent that same day. It was presented to the President of the United States who subsequently signed the bill into law as Public Law 109–231 on June 15, 2005.

III. NOMINATIONS

A. First session

During the First Session of the 109th Congress, the Committee met in open session four times to consider nine nominations. The Committee reported all nine nominees to the Senate with favorable recommendation. The following outlines the Committee’s actions with respect to those nominees as well as the subsequent disposition of the nominations by the Senate.

1. R. James Nicholson, nominated for the position of Secretary of Veterans Affairs by the President of the United States on January 4, 2005. The Committee favorably reported the nominee to the Senate on January 24, 2005. The nominee was subsequently confirmed by the Senate on January 26, 2005.

2. Jonathan B. Perlin, M.D., Ph.D., nominated for the position of Under Secretary for Health of the Department of Veterans Affairs by the President of the United States on February 18, 2005. The Committee favorably reported the nominee to the Senate on April 26, 2005. The nominee was confirmed by the Senate on April 28, 2005.

3. James Phillip Terry, nominated for the position of Chairman of the Board of Veterans Appeals by the President of the United States on May 9, 2005. The Committee favorably reported the nominee to the Senate on July 28, 2005. He was subsequently confirmed by the Senate on July 29, 2005.

4. Charles S. Ciccolella, nominated for the position of Assistant Secretary of Labor for the Veterans' Employment and Training Service of the Department of Labor, by the President of the United States on May 17, 2005. The Committee favorably reported the nominee to the Senate on July 28, 2005. He was subsequently confirmed by the Senate on July 29, 2005.

5. William F. Tuerk, nominated for the position of Under Secretary for Memorial Affairs of the Department of Veterans Affairs by the President of the United States on July 29, 2005. The Committee favorably reported the nominee to the Senate on October 18, 2005. He was subsequently confirmed by the Senate on October 26, 2005.

6. Robert J. Henke, nominated for the position of Assistant Secretary of Veterans Affairs for Management by the President of the United States on July 29, 2005. The Committee favorably reported the nominee to the Senate on October 18, 2005. He was subsequently confirmed by the Senate on October 26, 2005.

7. John M. Molino, nominated for the position of Assistant Secretary for Veterans Affairs for Policy and Planning on September 6, 2005. The Committee favorably reported the nominee to the Senate on October 18, 2005. The President subsequently withdrew the nomination on December 13, 2005.

8. Lisette M. Mondello, nominated for the position of Assistant Secretary of Veterans Affairs for Public and Intergovernmental Affairs by the President of the United States on September 6, 2005. The Committee favorably reported the nominee to the Senate on October 18, 2005. She was subsequently confirmed by the Senate on October 26, 2005.

9. George J. Opfer, nominated for the position of Inspector General of the Department of Veterans Affairs by the President of the United States on September 6, 2005. The Committee favorably reported the nominee to the Senate on October 18, 2005. He was subsequently confirmed by the Senate on November 10, 2005.

B. Second session

During the Second Session of the 109th Congress, the Committee met in open session two times to consider three nominations. The Committee reported four nominations to the Senate, three of which were confirmed. The following outlines the Committee's actions with respect to those nominees as well as the subsequent disposition of the nominations by the Senate.

1. Daniel L. Cooper, nominated for a second four-year term for the position of Under Secretary for Benefits, Department of Veterans Affairs by the President of the United States on March 3,

2006. The Committee favorably reported the nomination to the Senate on June 22, 2006. He was subsequently confirmed by the Senate on June 29, 2006.

2. Thomas E. Harvey, nominated for the position of Assistant Secretary of Veterans Affairs for Congressional Affairs by the President of the United States on June 26, 2006. The Committee favorably reported the nomination to the Senate on July 27, 2006. No additional action was taken by the Senate during the 109th Congress.

3. Patrick W. Dunne, nominated for the position of Assistant Secretary of Veterans Affairs for Policy and Planning by the President of the United States on May 24, 2006. The Committee favorably reported the nomination to the Senate on July 27, 2006. He was subsequently confirmed by the Senate on August 3, 2006.

4. Robert Howard, nominated for the position of Assistant Secretary of Veterans Affairs for Information Technology by the President of the United States on September 5, 2006. The Committee favorably reported the nomination to the Senate on September 27, 2006. He was subsequently confirmed by the Senate on September 29, 2006.

IV. BUDGET FOR VETERANS PROGRAMS

First session

On February 18, 2005, pursuant to the requirements of section 301(d) of the Congressional Budget Act of 1974, the Chairman of the Committee submitted a letter to the Budget Committee reflecting his views and estimates on the President's proposed budget for Fiscal Year 2006. The Minority members of the Committee submitted a separate letter. Both letters are reprinted in their entirety below.

FEBRUARY 23, 2005.

Hon. JUDD GREGG, *Chairman*,
Hon. KENT CONRAD, *Ranking Member*,
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR JUDD AND KENT: This letter is to provide views and estimates on the Administration's proposed fiscal year 2006 budget for Function 700 (Veterans' Benefits and Services) programs. I, as Chairman of the Committee on Veterans' Affairs, submit this letter pursuant to Section 301(d) of the Congressional Budget Act of 1974 on behalf of the Committee's Republican members. This year, the Committee's Ranking Member will comment separately.

I. SUMMARY

The President requests total VA appropriations in fiscal year 2006, including collections, of \$70.394 billion, \$36.955 billion for mandatory programs and \$33.439 for all discretionary programs. With respect to discretionary programs, this letter recommends an additional \$244 million in funding above the President's requested increase of \$753 million. Thus, for total discretionary spending, the total recommended increase above the fiscal year 2005 funding level is \$997 million, which increase is comprised of \$538 million in increased general revenue appropriations and \$459 million in in-

creased medical care collections. All of the recommended increases over the President's request would be devoted to increasing services within the Department of Veterans Affairs (hereinafter, "VA") medical care "business line." I do not recommend increases beyond those requested by the President for nonmedical care discretionary spending or for mandatory account spending.

II. DISCUSSION

A. VA Medical care

For fiscal year 2006, the Administration requests \$30.792 billion, including collections, to fund its medical care business line, an increase of \$524 million over the fiscal year 2005 enacted level. The Administration's proposed budget anticipates the need for an additional \$1.399 billion to defray added expenses attributable to inflation, employee pay raises, and other "unavoidable" cost increases. In addition, the Administration projects that, despite its proposal to maintain the current moratorium on the enrollment of additional "Priority 8" veterans for VA health care services, VA will require an additional \$549 million to meet anticipated increases in "workload"—i.e., increased costs attributable to the care of newly-enrolled "priority" veteran-patients. Further, the Administration proposes increased funding for certain medical care services to meet anticipated increases in demand and other care enhancements. Finally, the Administration proposes a series of "policy proposals" by which it would save funds relative to the fiscal year 2005 baseline and also increase funds to be made available to provide medical care services.

I support VA's ongoing efforts to find new efficiencies. I am particularly pleased that VA intends to extend the successful strategies it has employed to economize in the procurement of medications to the medical supplies arena. I also anticipate that the physician pay reforms enacted last year as Public Law 108-445 will lead to increased VA efficiencies as the agency is able to bring more specialized medical capabilities "in-house."

VA is to be commended, as well, for its determination to increase the collection of funds owed to VA under existing authorities, particularly by its patients' health insurance carriers. Clearly, when VA provides care for nonservice-connected illnesses and injuries to the insured, those patients' insurance carriers ought to reimburse VA for care for which the carrier would otherwise have been liable. VA needs to do better in collecting what these third party payers owe.

On the subject of VA's proposed medical care enhancements, I strongly endorse the majority of them. It is increasingly apparent that the current generation of returning warriors—warriors who have no "rear echelon" refuge from battle—will sustain more, and deeper, psychological wounds than their predecessors. It is also plain that they will, more than predecessor generations, suffer losses of extremities due, ironically, to advances in battlefield medicine. It is reported that advances in triage and "handoff" care have significantly improved the survival rates of this generation of service member. As a consequence, many who would not have survived in prior wars are returning home without limbs. VA must be prepared for increased demand for mental health and prosthetics and

sensory aid services. Indeed, one must question whether VA's request for \$200 million in additional funding for these priorities will suffice. I accept the agency's determination, however, and strongly endorse VA's increased funding request for these vital services.

I also endorse the Administration's requests for additional funding for homeless veterans' services, and its proposal for simplified reimbursement of the emergency care costs borne by veterans who are required to seek care at non-VA facilities. VA recently learned that many veterans suffering heart attacks had, to their great detriment, avoided close-by emergency care from community facilities to seek care at more distant VA facilities. VA now directs such patients to secure needed care from the nearest health care facility, which is often a community provider. VA must back that directive with a policy that minimizes the administrative and financial burdens on VA patients who follow it. As a Senator who represents a largely-rural State, where constituents are often hundreds of miles distant from the nearest VA medical center, I am particularly pleased to endorse this proposal.

I cannot, at this time, urge the Budget Committee to build its budget projections with the assumption that \$75 million in increased discretionary funding will be necessary to implement the physician pay reforms referenced above. Costs to be sustained by VA during the initial phase-in period of these reforms—reforms that will not be implemented before January 1, 2006—must be absorbed within current funding levels.

Turning now to the Administration's "policy proposals," it needs to be said initially with great emphasis that the Committee would surely seek to avoid consideration of any of these proposals were such a course, as in prior years, possible. All would prefer—again, as in prior years—to identify the gap between the VA funding request and the agency's needs and endorse increased general revenue appropriations to bridge that gap. But that is not possible this year. Whatever might be desired, it is clear that recent VA medical care funding increases cannot be sustained. Thus, the Congress—like the Administration—must face difficult choices. It is in this context that the Administration's policy proposals are reluctantly considered.

Two of those proposals are unacceptable. As will be discussed below, VA proposes to focus its attention on the institutional long-term care needs of service-connected veterans only. For VA to propose, in conjunction with that proposal, severe restrictions in per diem support for State homes is, in my estimation, an unsound idea. State homes may, increasingly, have to assume responsibility for the institutional care of, for example, poor veterans whom VA would decline to treat. Thus, while a one-year moratorium on new State home construction grants might be acceptable while VA's shift in focus goes into effect, I cannot endorse a cutting of per diem assistance to State homes to which needy veterans will increasingly turn for care.

Nor do I conclude that it is necessary at this time for the Committee to endorse a proposal to increase prescription drug copayments. In the first place, Congress did not set VA copayment rates at the current \$7 per prescription per 30-day supply level; VA did. It is VA's role, not Congress', to set—and to adjust—that rate. See 38 U.S.C. § 1722A(b). And to the extent that VA has concluded that

it is compelled by the “cannot-exceed-VA-cost” restriction of 38 U.S.C. § 1722A(a)(2) to charge a single \$7 copayment for all drugs, VA needs to justify that position. In the interim, further consideration of VA’s drug copayment proposal can be deferred.

As for the other policy proposals advanced by the Administration, this letter interposes no objections at this time. As is noted above, it likely does make sense for VA to suspend for one year State home construction grants. It could even be suggested that a suspension beyond that time period might be appropriate if the Committee were to endorse the Administration’s proposal that State home per diem grants be limited to support the care of service-connected veterans only. But this letter does not endorse that proposal. As a consequence, an extended moratorium on such grants is also not endorsed. To the contrary, it may well be the case that, in the future, VA must increase such grant support as the States assume the long-term care responsibilities now eschewed by VA. Before that could happen, however, the Congress and the State homes would, as the VA has done, need to assess the proper role of the State homes so that the Congress might define the appropriate scope and extent of VA-subsidized construction.

Finally, turning to VA’s proposed \$250 “enrollment fee,” it is not clear that VA—which has explicit legal authority to deny enrollment to all, or some, members of the statutorily-established veteran priority groups, see 38 U.S.C. § 1705(b)—lacks legal authority now to condition enrollment by members of those same priority groups or subgroups on the payment of such a contribution. In any case, the Committee fully appreciates the concerns raised by veterans service organization witnesses at the Committee’s hearing on February 15, 2005. And, as is made plain by the Committee’s refusal to endorse such a proposal when it was previously advanced, the Committee would not reconsider the issue lightly. But we are faced this year with an influx of new, highest-priority, combat veterans at a time of flattening appropriations support. VA must garner supplemental funding from some source, and there are no easy options. Thus, this letter does not object to the Administration’s proposal that non-service-connected, non-poor, veterans make a modest contribution of \$250 per year to defray the cost of their, and their fellow veterans’, care.

To those who might take issue with the contention that the Administration-requested contribution is, in fact, a modest one, it might be noted that military retirees who receive TRICARE are required to contribute annually to the cost of their care. More significantly, those who also participate in Medicare are required to pay Medicare Part B premiums which, in 2005, amounts to \$78.20 per month (or \$938.40 per year). Military retirees, of course, have typically served for 20 years or more. VA beneficiaries, by contrast, generally will have served for a much shorter period. “Ordinary veterans” are not less worthy than veterans who are also classified as military retirees. But equally, “ordinary veterans” are not more worthy as a class than military retirees. For them to be asked to make a contribution for care that is far less than that asked of veterans who served in uniform for 20 years or more does not seem unfair or inappropriate. To the contrary, equity might very well compel that such a contribution be requested. When one takes into account that the funds to be so generated will be devoted to care

for higher priority veterans in a time of fiscal austerity, the case becomes more compelling.

B. Other discretionary accounts

The Administration's proposals for funding of VA's other discretionary accounts are restrained and responsible. In summary, the Administration asks for relatively modest increases in construction and National Cemetery Administration funding. Its requested increase in General Operating Expense funding is less modest, but the Committee shares VA's interest in assuring that improvements in VA's claims' adjudication productivity be consolidated. Thus, I support the Administration's requests. But I do not recommend that they be bettered.

III. CONCLUSION

I thank the Budget Committee for its attention to these views and estimates, and I look forward to working with the Budget Committee to ensure that our Nation's veterans are provided with ample resources in fiscal year 2006.

Sincerely,

LARRY E. CRAIG,
Chairman.

FEBRUARY 18, 2005.

Hon. JUDD GREGG, *Chairman,*
Hon. KENT CONRAD, *Ranking Member,*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR CHAIRMAN GREGG AND SENATOR CONRAD: Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the Democratic Members and Senator Jeffords of the Committee on Veterans' Affairs (hereafter the "Undersigned Members") hereby report to the Committee on the Budget their views and estimates on the fiscal year 2006 (hereafter, "FY06") budget for Function 700 (Veterans' Benefits and Services) and for Function 500 (Education, Training, Employment, and Social Services) programs within the Committee's jurisdiction. This letter responds to the Committee's obligation to provide recommendations on veterans' programs within its jurisdiction, albeit from the perspective of the Undersigned Members.

I. SUMMARY

The Department of Veterans Affairs (VA) requires, at a minimum, \$2.85 billion in additional funding in FY06 to support its medical care operations. Our requested medical care increase is \$2.7 billion over the President's request. An increase of at least that amount will allow VA to maintain current services, obviate the need for legislation to suppress demand, and move forward with the President's suggested new initiatives.

As you both are undoubtedly aware, the Administration's proposed budget includes a number of legislative and policy proposals designed to generate additional savings and revenue. The Undersigned Members of the Committee unanimously reject four of the

legislative proposals—the increase in prescription drug copayments from \$7 to \$15 for “middle-income” veterans; the annual enrollment fee of \$250 for “middle-income” veterans; the exclusion of per diem reimbursements to State Veterans Homes for non-service connected veterans; and the elimination of the mandatory census requirements for long-term care capacity. Subtracting the “savings” generated from these new fees and proposals brings the President’s request to an additional \$116.4 million for health care costs.

With respect to benefits, we support the Administration’s requests for mandatory and discretionary account programs.

II. DISCRETIONARY ACCOUNT SPENDING

A. Proposed medical care Spending

VA requires a significant increase in funding above the President’s request to better address the needs of an aging population while meeting the needs of younger veterans returning from Operations Iraqi and Enduring Freedom (OIF/OEF). VA also must be able to maintain services and quality, keep clinical waiting times down, and avoid cuts to programs and staff. Accordingly, while we agree with the Administration on the level of funding required to support VA health care, we differ on the amount that needs to come from actual appropriated dollars relative to the amount that can be collected from insurance carriers and garnered directly from veterans in the form of new fees, increased copayments, and cuts to existing services.

Prescription Drug Copayment Increase for Priority 7 and 8 Veterans: The Undersigned Members of the Committee oppose the President’s increase to this copayment from \$7 to \$15, for a projected savings of \$202 million from increased revenue and decreased enrollment of these categories of veterans. In large measure, Priority 7 and 8 veterans—earning as little as \$25,842—cannot afford to pay more than double for needed prescription drug medications.

\$250 Enrollment Fee for Priority 7 and 8 Veterans: The Undersigned Members of the Committee oppose the President’s new enrollment fee of \$250, for a projected savings of \$454 million from increased revenue and decreased enrollment of these categories of veterans. Again, this proposal is targeted at “middle-income” veterans, and we believe it is an unacceptable financing mechanism.

Limitation of Per Diem Reimbursements to State Extended Care Facilities: The Undersigned Members of the Committee oppose “prioritization” of the per diem payments VA makes to State Veterans Homes (SVH) for the purposes of caring for veterans. The President proposes to restrict eligibility for the per diem to only service connected veterans (Priorities 1–3). If this change is enacted, nearly 80 percent of SVH residents will be excluded. According to VA’s average daily census for long-term care, there are more than 19,000 individuals in these nursing homes this year. The proposed FY06 budget would reduce that number to just over 7,000 and would correspondingly reduce Federal support by \$293 million.¹ The viability of SVH is in jeopardy, as is VA’s overall capacity to provide a continuous residence for veterans in need of long-

¹ The current rate of Federal funding for State Veterans nursing homes is \$59.36 per day.

term care, especially for veterans in rural areas. It is our view that eligibility for per diem payments to SVH should remain intact.

Elimination of Mandatory Census Requirements for Long-Term Care: The Undersigned Members of the Committee oppose the President's proposed elimination of the long-term care bed census requirements mandated by Public Law 106-117.² VA has fought these requirements since their enactment and has continually tried to erode its own institutional long-term care services. It is our view that VA's non-institutional capacity remains too weak to compensate for such a loss to its institutional capacity.³ This is especially true in light of the restrictions the Administration is seeking to place on reimbursements to State Veterans Homes, where much of the capacity gap has been filled in the past.

In addition to the \$116 million requested by the President, the Undersigned Members of the Committee note that there are additional revenue streams and savings. While we expect VA to continue to be diligent in its efforts to improve upon third-party collections, we do not accept the total amount proposed in the budget, as it assumes additional revenue from the increase in the prescription drug copayment and enrollment fee. Therefore, the expected collections for VA would be \$424 million less than VA's projected collections of \$2.59 billion.

Similarly, the President's budget proposes savings of \$590 million in management efficiencies. The Undersigned Members of the Committee acknowledge that VA should continue to make progress in this area. It is our understanding that these management efficiencies will include measures such as standardization of medical equipment and supplies, improvements in contract negotiation, and "clinical efficiencies" in scheduling and performance of certain medical care services. We want to ensure that care and services are not jeopardized in the name of efficiency. Witnesses at the Committee's February 15, 2005, budget hearing testified that management efficiencies at this level translate into reductions in health care staff and services. Our overall views on medical care are described below.

1. Current services (+\$1.399 billion)

Payroll inflation, increases in the costs of goods, and other "uncontrollables" dictate funding increases of at least \$1.399 billion in FY06 simply to maintain the level of current services. VA's medical care payroll costs will increase by \$859 million in FY06 due to non-optional cost-of-living and within-grade salary and wage adjustments, as well as increases in government-paid Social Security, health insurance, retirement, and other benefits. The cost of inflation and rate changes for goods and services (including pharmaceuticals) dictates an additional \$540 million in funding in FY06.

2. Rescinding the ban on Priority 8 veterans (+\$578 million)

VA has seen a substantial increase in enrollment, especially in the number of "middle-income" veterans whose financial

²P.L. 106-117 required VA to maintain an average daily census of 13,391.

³GAO found that the type and capacity of noninstitutional long-term care services varied widely from region to region, nationwide. As such, veterans' access to these services is limited by facility restrictions and service gaps. Additionally, GAO found inconsistencies in the eligibility criteria set forth by different VA facilities. VA Long-Term Care: Veterans' Access to Non-institutional Care Is Limited by Service Gaps and Facility Restrictions, May 22, 2003.

means are above the HUD geographical low-income threshold for their respective counties. There are about 2.06 million currently enrolled Priority 8 veterans. On January 17, 2003, the Administration halted enrollment for Priority 8 veterans.

The Administration's request for FY06 assumes the enrollment ban on Priority 8 veterans will continue. The Undersigned Members of the Committee estimate that new resources of \$578 million are needed to restore access for these veterans.⁴ We believe veterans needing VA care should not be prohibited from enrolling in the system. Indeed, adequate appropriated funding should be provided to VA so that all veterans have access to VA services. Additionally, many of these veterans bring health care coverage with them and continue to pay copayments for care and drugs, so, in effect, they actually bring revenue into the system, offsetting the cost of their care.

3. New workload (+\$527 million)

We support the President's estimated cost for new enrollees for FY06, but it is important to note that this amount includes the proposals to deter veterans from the system, such as the drug copayment increase and enrollment fee. Therefore, the Undersigned Members of the Committee expect new workload to actually be slightly higher if these proposals are rejected, as we are recommending.

We would also like to address the issue of returning service members. VA has maintained that any potential workload from OIF/OEF will be negligible relative to the overall number of new enrollees each year. We would like to point out that any influx of veterans into the system requires a corresponding increase in support.

4. New initiatives (+\$337.6 million)

The Undersigned Members of the Committee accept the President's proposed "new initiatives." These include minimal additions in the following areas: \$100 million for mental health; \$100 million for prosthetics; \$75 million to support the new physician pay structure enacted by Congress last year; \$19 million for homeless veterans care; \$13 million for the DoD-VA sharing incentive fund; \$30 million to eliminate the first party offsets⁵; \$49 thousand to exempt former Prisoners of War from extended care copayments; and \$5 thousand to exempt veterans from paying copayments associated with hospice care.

While we support each of these initiatives, we believe that more can and should be done, especially in the areas of mental health care and prosthetics. Both of these are and will continue to be in high demand, not only from the existing veterans population but from returning OIF/OEF servicemembers. The Special Committee on Post-Traumatic Stress Disorder reported in 2004 that, "VA does not have sufficient mental health capacity to meet the needs of new

⁴ 192,260 Priority 8 veterans have been turned away thus far, at an average per patient cost of \$3,011.

⁵ Third party payments for care are currently reduced by offsetting veterans' copayment liabilities.

combat veterans while still providing for veterans of past wars.”⁶ In addition, many new veterans have suffered from the loss of limbs as a result of the nature of the warfare in which they are engaging.

Our overall views on medical spending are summarized in the chart below:

Current Services:	
Salary and wage adjustments and increases in benefits	\$859 million
Inflation and rate changes for goods and services	\$540 million
Subtotal Current Services	\$1.399 billion
Restoring Enrollment to Priority 8 Veterans	\$578 million
Administration's Estimate for New Workload	\$527 million
New Initiatives:	
Mental Health	\$100 million
Prosthetics Increases	\$100 million
Physician Pay	\$75 million
Homeless Veterans	\$19 million
DOD-VA Sharing	\$13 million
First Party Offset	\$30 million
Former POW Copayments	\$49 thousand
Copayment Exemption for Hospice	\$5 thousand
Subtotal New Initiatives	\$337.6 million
Total New Funding Needed	\$2.842 billion

B. Medical and prosthetic research program

The Administration proposes to cut direct research funding by \$9 million. The Undersigned Members of the Committee strongly oppose this cut, as it would result in the direct loss of nearly 270 full-time employees (FTE) and 173 projects in valuable areas such as traumatic injury, cancer, aging, mental illness, and heart-disease research. Imperiling the research program also hurts VA's ability to recruit and retain excellent physician researchers and could, therefore, adversely impact the quality of health care.

Since its inception, the VA research program has made landmark contributions to the welfare of veterans and the nation as a whole, illustrating the unique importance of keeping it adequately funded. Past VA research projects have resulted in the first successful kidney transplant performed in the U.S., as well as the development of the cardiac pacemaker, a vaccine for hepatitis, and the CAT and MRI scans.

Both the Independent Budget and the Friends of VA Medical Care and Health Research recommend a funding level of \$460 million, which is \$58 million above the current level.

C. Construction

We are pleased to see that there is \$41 million for land acquisition funding for projects authorized in the 108th Congress. These projects are in various stages of environmental assessment and site identification. The new cemeteries will be located in Bakersfield, CA; Birmingham, AL; Columbia/Greenville, SC; Jacksonville, FL; Southeastern, PA; and Sarasota, FL.

⁶Department of Veterans Affairs Under Secretary for Health's Special Committee on Post-traumatic Stress Disorder, Fourth Annual Report of the Department of Veterans Affairs: Under Secretary for Health's Special Committee on Post-traumatic Stress Disorder: 2004.

Additionally, we note that there is \$32 million for the State Veterans Cemetery Grant Program. This program is a popular alternative for States with small veterans populations; it provides a way for those States to honor and commemorate the service of their veterans. Additionally, these grants play a critical role in the National Cemetery Administration's target of providing 90 percent of veterans with reasonable access to burial options.

We support VA's requested funding for major medical construction of \$539.8 million, for the Capital Asset Realignment for Enhanced Services (CARES) process. The Undersigned Members of the Committee understand that VA is trying to build a "capital asset" account to finance the changes to its infrastructure that have been recommended as a result of CARES. However, we strongly oppose any further transferring of funds from VHA for the purposes of supplementing this CARES account. Health care dollars should remain available for the veterans who need VA's care.

The proposed budget also includes a decrease for minor construction funding. The Undersigned Members of the Committee do not support this proposal. It is our view that the minor construction account is valuable because smaller-scale upgrades and improvements can be made with relative ease in comparison to the major construction process, which requires Congressional authorization. In the current climate, it is vital to areas that have less representation in Congress to have access to the minor construction funds. Additionally, the President's budget would remove seismic improvements from the minor construction account. We believe it is necessary to continue funding of small-scale seismic upgrades where necessary.

D. General Operating Expenses

We support the one-year increase of 112 compensation FTE. We are cautiously optimistic that this will be sufficient to rate the projected 3 percent increase in claims timely and accurately. The Veterans Benefits Administration anticipates a rating receipt jump from 794,248 in 2005 to 818,076 in 2006. VA has stated that it will look for solutions if workload rises higher than the 3 percent estimated. We are hopeful that VA can manage an increased workload from Benefit Delivery at Discharge claims, possible legislation, or court decisions but would urge caution as we have seen in the past that VA does not always absorb changes in law and new business processes well.

Both the education and housing programs saw staffing cuts (14 FTE in education and 205 FTE in housing). Housing is one of the better run VA programs, so we are hopeful that this loss in FTE reflects a management success story. The average days to complete an original education claim and supplemental education claim are low. We will monitor the workload and days to complete a claim. If VA can maintain these low numbers, then we will not sound the alarm.

E. Vocational rehabilitation

We support the provision in the budget that includes \$4.4 million to establish job resource labs in each regional office. This addition comes on the heels of the Department's April 2004 Vocational Re-

habilitation and Employment Task Force report that contained recommendations on how to improve service to disabled veterans.

III. MANDATORY ACCOUNT SPENDING

We support the budget request of \$37.4 billion for entitlement programs, which reflects an increase of \$2.2 billion in mandatory funds for benefits payments above the FY05 level of \$35.2 billion. This increase in mandatory funds provides for a 2.3 percent cost of living adjustment in 2006. A 2.3 percent increase is the expected increase estimated in the Consumer Price Index. Other than the cost-of-living increase, there were no other legislative proposals for this mandatory account in the President's budget.

IV. CLOSING

We thank the Budget Committee for its attention to the Under-signed Members' views and estimates of the Administration's fiscal year 2006 budget, and we look forward to working with the Committee in crafting a budget for VA that truly meets the needs of our nation's veterans.

Sincerely,

DANIEL K. AKAKA,
Ranking Member.
 JOHN D. ROCKEFELLER IV.
 PATTY MURRAY.
 BARACK OBAMA.
 KEN SALAZAR.
 JAMES M. JEFFORDS.

On March 17, 2005 the House of Representatives passed H. Con. Res. 95, the fiscal year 2006 Congressional Budget Resolution. On April 4, 2005 the Senate passed H. Con. Res. 95 as amended by a substitute amendment containing the text of S. Con. Res. 18, the Senate-prepared version of the Congressional Budget Resolution.

Subsequently, a Conference Committee was convened to reconcile the differences between the House and Senate versions of the Budget Resolution. On April 28, 2005, both the House and Senate passed the Conference Report to accompany H. Con. Res. 95.

Second session

On March 2, 2006, pursuant to the requirements of section 301(d) of the Congressional Budget Act of 1974, the Chairman of the Committee submitted a letter to the Budget Committee reflecting his views and estimates on the President's proposed budget for Fiscal Year 2007. The Minority members of the Committee submitted a separate letter. Both letters are reprinted in their entirety below.

MARCH 2, 2006.

Hon. JUDD GREGG, *Chairman.*
 Hon. KENT CONRAD, *Ranking Member.*
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR JUDD AND KENT: Pursuant to Section 301(d) of the Congressional Budget Act of 1974, I, as Chairman of the Committee on Veterans' Affairs (hereinafter, "Committee"), submit this report to

the Committee on the Budget on the proposed fiscal year 2007 (hereinafter, "FY07") budget for Function 700 (Veterans' Benefits and Services) programs.

Your staff requested that Congressional Budget Office (hereinafter, "CBO") estimates be used in presenting this report. There were difficulties that precluded me from doing so. I was informed that CBO's revised estimate of the President's FY07 budget request would not be available before your requested deadline for submission of this report. Those revised estimates are essential in that they reflect the impact of key policy proposals included in the President's budget. Without those estimates, I would have to present a portion of this report using CBO numbers and another portion using the Administration's numbers. To avoid that confusion, this letter will use only the Administration's numbers. Once CBO's revised estimates are available, my staff can then make the appropriate adjustments upon your request.

SUMMARY

Function 700 is comprised of budget authority and outlays associated with four entities under the jurisdiction of the Committee: the Department of Veterans Affairs; the Department of Labor's Veterans' Employment and Training Service; the American Battle Monuments Commission; and the United States Court of Appeals for Veterans Claims.

- The President requests total VA appropriations in FY07, including collections, of \$79.892 billion, \$41.362 billion for mandatory programs and \$38.530 billion for discretionary programs. The \$38.530 billion request for discretionary programs is comprised of \$2.833 billion in expected medical care collections and \$35.697 billion in general revenue appropriations. I do not recommend increases beyond those requested by the President for either mandatory or discretionary programs. Furthermore, I agree with the President that discretionary spending from general revenue appropriations be limited to \$35.697 billion.

- The President requests \$224.9 million for the Department of Labor's Veterans' Employment and Training Service programs and services. At this time, I will not object to that level of funding.

- The United States Court of Appeals for Veterans Claims requests \$19.79 million. At this time, I will not object to that level of funding.

- The President requests \$40.738 million for the American Battle Monuments Commission. I have no objection to that level of funding.

DISCUSSION

I. MANDATORY PROGRAMS

Within Function 700, only VA programs contain mandatory account appropriations. The President's request for FY07 is \$41.362 billion in appropriations and \$42.050 billion in total mandatory budget authority.

Since fiscal year 1996, VA mandatory account spending has nearly doubled. The bulk of the accelerated spending is attributable to growth in the Compensation and Pension (hereinafter, "C&P") account. The C&P account funds disability compensation payments

for veterans with service-connected disabilities; compensation payments to surviving spouses and dependents of veterans who die as a result of service-related conditions; pension payments to disabled or elderly wartime veterans; pension payments to needy spouses of wartime veterans; and payment of certain burial-related expenses.

The primary drivers of C&P account growth are the total number of veterans in receipt of disability compensation and the average amount of compensation payment per veteran. VA estimates that 2.87 million veterans will be in receipt of disability compensation in FY07, a 10% increase in just two years and a 24% increase since fiscal year 2001. As a point of comparison, overall growth in the compensation roles was 5% between fiscal years 1991 and 2001.

VA projects that average compensation payments to veterans will continue to increase due to a variety of factors: (1) More veterans filing disability claims (primarily Gulf War era and Vietnam-era veterans); (2) More veterans filing and being granted service-connection for multiple disabilities (the number of veterans filing for at least eight or more disabilities has doubled in five years); (3) Increases in average disability ratings (as veterans age, their disabilities worsen and they may be granted increased disability ratings); (4) Increases in Individual Unemployability and Post-Traumatic Stress Disorder (hereinafter, "PTSD") claims; (5) Cost-of-living adjustments; and (6) More military retirees filing for disability compensation spurred by new laws allowing partial concurrent receipt of military retired pay and VA disability pay (according to VA's budget, 45% of the nation's 1.8 million military retirees are now receiving VA disability compensation).

CBO estimates a lower rate of growth for C&P spending than does the Administration. The key difference between the Administration and CBO's estimates is the lower accession rate of veterans being added to the disability compensation roles. Whereas VA projects 10% growth in the caseload from fiscal years 2005 to 2007, CBO projects only 5% growth. A focus of the Committee this year will be to understand the factors that have driven the growth in both the disability compensation roles and actual expenditures, and the implications this growth may have on future budget submissions.

II. DISCRETIONARY PROGRAMS

A. VA medical care

The President requests \$34.295 billion for medical care in FY07. The President's request is comprised of a combination of general revenue appropriation (\$31.462 billion) and medical care collections (\$2.833 billion). I support both the President's total medical care request and the sources from which he proposes to obtain requested dollars.

Before I provide my views on the President's request for medical care, I feel it is necessary to explain what "medical care" is in order to ensure accuracy. There is no longer a single VA "medical care" appropriation account as in prior years. Beginning with fiscal year 2004 appropriations, Congress divided the medical care account into three separate health-related accounts: medical services (including amounts transferred to medical services from medical collections), medical administration, and medical facilities. It is the

sum of these three accounts I refer to when using the term “medical care.”

VA is a national leader in the delivery of high-quality health care. Its reputation has driven demand for its services from veterans across the country. Of VA’s 7.6 million enrollees, roughly 5.3 million will use VA’s system in FY07, an increase in the number of users since fiscal year 2001 of over one million. Couple the demand for VA care with an aging population, and veterans with complex care needs arising from service-related injuries, and it is not surprising that there is tension between demand for health services and available resources.

Assuming enactment of the President’s request, VA medical care will have increased by 69% since fiscal year 2001. If the President’s increase for FY07 is any barometer for out-year increases, and assuming current enrollment eligibility policy continues, VA’s medical care budget will need to double nearly every six years. Additionally, the President’s request assumes that VA’s patient base will remain relatively stable in FY07. Should VA’s estimates on frequency of health care use per patient be too low, or should a higher number of enrolled patients actually use the system, resource demands will be greater than those assumed in the President’s request. That said, VA’s submission of quarterly reports (now a requirement of law) on its finances, workload, and performance measures will serve as an additional check to ensure its budget, when executed, is sufficient.

For the fifth year in a row the President has proposed to finance a portion of his medical care budget by enacting revenue-generating policy proposals. The first of his FY07 proposals is to levy an annual \$250 enrollment fee on Priority 7 and 8 veterans; the second is to charge priority 7 and 8 veterans \$15 for a 30-day supply of prescription medication; and the third is to cease waiving indebtedness of 1st party co-payments under certain circumstances. If these proposals (or other proposals with similar effect) are not enacted, an additional \$795 million in general revenue appropriation would be needed (assuming there is no change in enrollment eligibility policy).

During a time of high deficits and restrained spending in every account unrelated to national security, the President’s proposal to shift a small portion of the cost of funding record growth in VA’s budget onto lower priority veterans is reasonable. I have no objection to the proposals he has chosen, but I am not necessarily wed to them. Should there be another combination of fee proposals that results in an avoided appropriation of \$795 million, I will take them under consideration. But my bottom line is this: I recommend the Budget Committee support the President’s requested level of medical care spending, both in the amount of general revenue appropriation requested (\$31.462 billion) and in the amount of medical collections assumed (\$2.833 billion).

The President’s budget for medical care contains numerous other funding initiatives that I support and which are vital to veterans, particularly the 2% of VA’s patient population who participated in Operations Iraqi Freedom or Enduring Freedom (hereinafter, “OIF/OEF”). Assumed in the request are increases for prosthetic and sensory aids, treatment of serious mental illness, treatment of PTSD, and other programs to support Gulf War and OIF/OEF vet-

erans. Care for returnees of the Global War on Terror must remain VA's highest priority.

One area of particular focus of mine and the Committee is VA's homeless veterans programs. The President requests an additional \$44 million in funding for treatment costs associated with homeless veterans and an additional \$20 million for other programs to assist homeless veterans. In particular, I commend the request for a 16% increase in Homeless Grant and Per Diem funding. In the coming year I am committed to reviewing this and other specialized homeless programs to ensure that they are providing the necessary services to help homeless veterans resume self-sufficient and independent lives.

B. Medical research

The President's budget proposes a \$13 million reduction in the Medical and Prosthetic Research account in FY07. VA projects that \$399 million in appropriations will be leveraged with other federal (and to a lesser degree, non-federal) resources to yield an overall increase in allocations for research. However, this may be an unrealistic assessment given that the Administration's budget does not move to increase funding for the National Institutes of Health, the Centers for Disease Control and Prevention, and other agencies associated with biomedical research.

One research priority that VA has identified for the coming fiscal year focuses on returning OIF/OEF veterans. Many of these veterans have sustained traumatic brain or spinal cord injuries, often in conjunction with sensory loss and loss of limbs. It is essential that research be conducted to guide treatment and rehabilitation for these individuals with polytraumatic injuries. Now in particular, VA must invest in research to guide evidence-based treatments for the future. In pursuit of this goal, I propose that VA's Medical and Prosthetic Research be increased by \$30 million over the Administration's budget and \$17 million over the fiscal year 2006 level.

C. Information technology

The President requests \$1.257 billion for information technology (hereinafter, "IT") under a separate IT account as directed in Public Law 109-114. This amount is intended to facilitate VA's transition to full implementation of the Federated IT Management System by VA's June 2008 target date.

The Committee held a hearing in October 2005 to examine VA's plan to re-organize its IT management system. The Committee will continue to closely monitor this process to ensure that this new accounting system maintains the proper balance between budget control in the Office of the Chief Information Officer and operational flexibility vested with the individual VA administrations.

D. General operating expenses

The President requests \$ 1.635 billion in general operating expenses in FY07, \$1.322 billion for the Veterans Benefits Administration (hereinafter, "VBA") and \$313 million for General Administration. Included in the total is \$154 million in appropriations that will be transferred to the General Operating Expense account for administration of VA's housing programs.

Veterans Benefits Administration

Including transferred appropriations for administration of VBA's housing programs, \$1.322 billion is requested for VBA. This funding request will support a staffing increase of 173 Full Time Equivalent employees (hereinafter, "FTE") over fiscal year 2006. The budget request provides a blueprint of how FTE for each of VBA's programs is expected to be allocated. It is a blueprint only; actual FTE will be allocated according to workload demands as they arise.

(a) Compensation and Pension Service

The President requests funding to support 9,445 FTE to administer VBA's compensation and pension claims workload. That FTE level would represent the largest staffing level for the Compensation and Pension (hereinafter, "C&P") Service in over two decades. It is important to note that, with the exception of some routine pension claims work, there is no distinction between the employees who develop and adjudicate disability compensation claims and disability pension claims. Therefore, for any "apples to apples" comparison of staffing levels over the years, combining FTE totals for these two programs is necessary.

Workload within the C&P Service can be broken down into one of two categories, the first involving claims or actions which require a disability rating decision (or "rating-related" action), and the second involving claims or actions where no such decision is needed. The claims involving a disability determination are, without question, the most complicated and time-consuming aspect of VBA's work. Decisions involving disability determinations can mean critical financial assistance for veterans whose earnings are impaired by disability, and can provide the basis for a host of ancillary benefits. Therefore, timely and accurate decisions on disability claims are essential.

The disability and pension claims workload has been steadily increasing since fiscal year 2000, a year in which VBA received the fewest claims (579,000) of any of the last ten years. In the five years preceding fiscal year 2000, the number of claims filed averaged 688,000. In fiscal year 2006, VA expects it will receive just over 910,000 claims, a 57% increase since fiscal year 2000, and 33% above the fiscal years 1995 to 1999 average. The number of claims received does not present a full picture of the work required to adjudicate each claim. As previously mentioned, the number of claims filed with at least eight or more claimed disabilities has doubled in five years; Congress has mandated additional procedural requirements; and claimed disabilities are more complex than in prior years.

Among the 910,000 claims VBA expects to receive in fiscal year 2006, 98,000 are anticipated in response to specialized outreach to veterans in six states, as directed by section 228 of Public Law 109-114. The Congressionally-mandated outreach was premised on the fact that veterans residing in those six states receive the lowest average annual disability payments when compared to other states, and the assumption that deficiencies in VA's decision-making on their claims was to blame. Prior to the enactment of the mandated outreach provision, there was little to no public analysis about the validity of the provision's premise or the policy and workload implications that it would have. VA expects the influx of the 98,000

claims to have a nationwide impact on performance. There is an expected 20% increase in the claims backlog; claims will remain pending at regional offices awaiting a decision by an extra 28 days, on average; and the time it takes to process claims will slacken by an average of 20 days. I will work with the Administration and the sponsors of the provision mandating this outreach (which has yet to occur) to see if there is common ground that can be reached that rests on a sounder policy footing and that does not delay claims filed by veterans in states other than the six targeted for special outreach.

For FY07, VA expects it will receive roughly 828,000 claims, 43% more than were filed in fiscal year 2000 and 20% more than the five year, pre-2000 average. As previously mentioned, the President requests resources to support a C&P FTE level of 9,445. Assuming the President's request is enacted, C&P FTE will have increased by 36% since fiscal year 1997; for direct staffing only, i.e., field staff who perform the day-to-day claims work, FTE will have increased by 52% since 1997. The staffing levels proposed by the President for FY07 are necessary to continue VBA's progress to reduce the claims backlog and improve the accuracy and timeliness of its decisions.

(b) Education Service

The President requests funding to support 930 FTE for the Education Service. This funding level would allow an increase of 46 FTE over the estimated fiscal year 2006 FTE level, including an additional 34 direct FTE. During fiscal years 2001 to 2003, the timeliness of VA's decisions on original education claims and supplemental education claims improved remarkably. Since fiscal year 2004, however, there has been a deterioration of that improvement. With an expected increase in FTE during fiscal year 2006 and the requested increase for FY07, the Education Service should be able to regain that lost ground and approach its strategic targets for timeliness.

(c) Vocational Rehabilitation and Employment service

The President requests \$149.342 million for the Vocational Rehabilitation and Employment (VR&E) program. This funding level would support an increase of 130 FTE over the estimated FTE level for FY06. Currently, the VR&E program is implementing a new Five-Track Employment Model, consistent with recommendations made by the 2004 Vocational Rehabilitation and Employment Task Force. The additional FTE in FY07 will allow VR&E to further implement that new model by utilizing an increased number of Employment Coordinators and contracting specialists.

(d) Loan guaranty service

One of the little-heralded success stories in all of government is VA's loan guaranty service. It provides an example of how leveraging technology, streamlining operations, and reliance on private sector partners can help make a government-run program more efficient and effective. In the last decade alone, FTE devoted to VA's housing program has been slashed—from 2,254 FTE in fiscal year 1997 to 971 FTE proposed in the upcoming fiscal year. Despite these FTE losses, service to veterans has improved.

The President proposes FY07 funding to support 971 FTE, a reduction of 17 over fiscal year 2006. While there is no reason to expect degraded performance with yet another loss of FTE proposed, I will closely monitor performance. In particular, I will watch the default rate on VA-guaranteed loans and whether staffing is sufficient to intercede on behalf of veteran borrowers.

(e) Insurance Service

For FY07, the President proposes funding to support 503 FTE for VA's Insurance Service, a 15 FTE increase over fiscal year 2006.

VA's Insurance Service is a perennial leader in timely, accurate, and professional service to beneficiaries of its insurance programs. The American Customer Satisfaction Index scored the Insurance Service well above all of its private sector competitors in customer satisfaction. I expect with the resources requested in this budget that the Insurance Service will maintain its usual outstanding performance.

General administration

For FY07, the President's budget recommends a \$313 million appropriation for the administration of the offices of the Secretary, six Assistant Secretaries, two Appellate Boards, and the Office of General Counsel. I support this level of funding.

The funding level proposed for the Board of Veterans' Appeals (hereinafter, "BVA") would support 444 FTE. From fiscal year 2004 to 2005, the BVA's appeals resolution time increased substantially, from 529 days to 622 days, and the BVA cycle time also increased. With an expected increase in FTE during FY06 and the requested funding to maintain an increased staffing level during FY07, the BVA should be able to improve its performance and approach its strategic target for cycle time. Because BVA supports one of VA's primary missions of providing veterans with timely and accurate disability claims decisions, the Committee will closely monitor its performance.

E. Major construction

The President requests \$399 million for major construction projects in FY07. Included in that request is \$307 million to continue funding projects related to VA's Capital Asset Realignment for Enhanced Services (CARES). Assuming this amount is enacted, total CARES-related funding will stand at \$3 billion to date.

VA has already begun several major projects for which completion costs are not reflected in the budget request. However, the Committee will need to authorize all CARES-related construction that occurs after September 30, 2006, even if construction is already underway. The Committee will soon receive a list from VA detailing all CARES projects requiring Congressional authorization.

F. Minor construction

The President requests \$198 million for minor construction. This account supports critical upkeep of VA's facilities all across the United States. With over 150 hospitals currently in operation, this funding level would support just over \$1 million for each hospital's minor construction needs. I believe this request is too low. I sup-

port an increase above the President's request of \$19 million for a total FY07 funding level of \$217 million. As I will describe below, I recommend that this funding come from recommended reductions in the State Extended Care Facility grant program.

G. State Extended Care Facility grants

The President requests \$85 million in FY07 for State Extended Care Facility grants. There are two main purposes of this grant funding. The first is to help states build or acquire new nursing home facilities. The second is to help states maintain the highest life and safety code standards in existing facilities.

I support a funding level for this grant program sufficient to fulfill the Federal government's commitment to states with already-established nursing facilities that are in need of life and safety upgrades. However, I believe a suspension of grant funding for the purpose of establishing new nursing facilities is, at this time, in order.

Long-term care services in America are rapidly moving from institutional settings, such as state home beds, to home and community-based programs that care for needy individuals in their own towns close to their families and loved ones. VA's own long-term care program is moving in that direction.

Today, there are approximately 20,000 institutional beds in the State Home system. In fiscal year 2006, VA will pay a per diem of \$63.40 for each veteran who occupies one of those beds. As a result, this year alone, VA will spend \$557 million on per diem payments which are drawn directly from the medical services portion of individual VA hospital budgets. Each additional construction project brings hundreds of new beds on line that will also have to be supported with VA per diem payments in subsequent years. This, in turn, drives the medical services funding needs even higher and contributes to the accelerated growth of VA's overall budget.

For this reason, and because I believe VA and the states must focus more attention, not less, on community-based services, I recommend a FY07 funding level of \$36 million. My recommendation will support every life and safety grant project VA has identified as needing full funding in FY07. Again, I reiterate, I recommend that the budget support funding in this account that addresses facilities in need of life and safety upgrades only.

There is a \$49 million difference between my recommended funding level and the President's. I propose that \$30 million of that difference be devoted to augmenting the Medical and Prosthetic Research account bringing its FY07 total to \$429 million (see page 4). I recommend that the remaining \$19 million be transferred to the Minor Construction account, bringing its FY07 total up to \$217 million (see page 8).

H. State cemetery grants

The President requests \$32 million for the state cemetery grant program. According to VA officials, the \$32 million in annual appropriation for this program has been sufficient to cover nearly all approved applications from states for cemetery expansion, construction, or improvement. Unfunded projects are first in line for funding in subsequent fiscal years. Therefore, at this time, the \$32 million funding level is sufficient.

I. Inspector General

The President requests \$69.5 million in FY07 for the VA Office of the Inspector General (hereinafter, "IG"). That funding level would result in a reduction of 27 FTE over fiscal year 2006 levels.

Ordinarily, a staffing reduction in the Inspector General's office might raise concerns given that it is tasked with guarding against waste, fraud, and abuse in one of the Federal government's largest agencies. However, VA IG funding has increased by 126% since 1998, and the current fiscal year represents the highest FTE level on record for the IG in at least a decade. Viewed in this context, a 27 FTE reduction is less troublesome than would otherwise be the case.

J. National Cemetery Administration

The President proposes an appropriation of \$160.733 million for the National Cemetery Administration (hereinafter, "NCA"). This funding level will support operational expenses related to 107,300 total expected interments at NCA cemeteries and the maintenance of over 2.8 million graves.

Through a combination of funding in this account and funds from minor construction, the President proposes \$28 million for the National Shrine Commitment, an initiative to address nearly \$280 million worth of one-time cemetery repair projects identified in a 2002, Congressionally-mandated report. Assuming continued funding of \$28 million annually for Shrine Commitment repairs, all repairs stand to be completed by 2012 according to VA officials.

K. The Veterans' Employment and Training Service

The President requests \$224.887 million to fund the Department of Labor's Veterans' Employment and Training Service (hereinafter, "VETS"), a 1.3% increase over the amount appropriated for fiscal year 2006. Nearly 72% of the requested funds—\$161.218 million—will be used to fund two employment programs for veterans: The Disabled Veterans' Outreach Program and the Local Veterans' Employment Representative program. In February 2006, the Committee held a hearing to examine the effectiveness of those programs. In sum, the Committee learned that there are no reliable data demonstrating that these programs are effective in helping veterans find quality jobs. In addition, statistics suggest that these programs are not targeting services to those veterans most in need, such as recently-separated veterans. During this session, the Committee will continue to examine whether veterans would benefit from fundamental changes in how these funds are used, especially since VA's Vocational Rehabilitation and Employment program targets a similar cohort of veterans for employment assistance. However, at this time, I support the Administration's funding request for VETS because it is restrained and responsible. I do not recommend funding beyond the requested level.

L. The United States Court of Appeals for Veterans Claims

For FY07, the United States Court of Appeals for Veterans Claims (hereinafter, "Court") requests \$19.790 million, of which \$1.260 million will be available for the purpose of providing pro bono representation. The Court's request includes \$900,000 to continue two special initiatives: The implementation of an electronic

case-filing system and the study and planning stages for a Veterans Courthouse and Justice Center.

Since fiscal year 1998, the Court's budget has more than doubled. I recently expressed to the Court my concern that, despite increases in its budget and the size of each judge's staff over the last several years, productivity has not improved. In fact, the Court currently has approximately 5,200 cases pending and over 20% of those have been pending for more than one year. I have been assured by the Chief Judge that the Court is in the process of assessing other measures that may help to improve case management and reduce the backlog. Accordingly, at this time, I will not object to the Court's funding request. However, while the appropriations process unfolds, I will continue to examine whether the current staffing levels are the most appropriate and cost-effective means of dealing with the Court's increasing workload.

M. The American Battle Monuments Commission

The President requests \$40.738 million for the American Battle Monuments Commission (hereinafter, "ABMC"). This amount is comprised of \$35.838 million to fund salaries and expenses and \$4.9 million to offset losses stemming from currency fluctuations in European and Mediterranean regions where ABMC cemeteries are located. The President's request will support an additional 13 FTE to begin operational staffing of the Normandy Interpretive Center upon its completion in June 2007. I support the President's request.

Sincerely,

LARRY E. CRAIG,
Chairman.

MARCH 2, 2006.

Hon. JUDD GREGG, *Chairman*,
Hon. KENT CONRAD, *Ranking Member*,
Committee on the Budget,
U.S. Senate, Washington, DC.

DEAR CHAIRMAN GREGG AND SENATOR CONRAD: Pursuant to Section 301(d) of the Congressional Budget Act of 1974, the Democratic Members and Senator Jeffords of the Committee on Veterans' Affairs (hereinafter the "Undersigned Members") hereby report to the Committee on the Budget their views and estimates on the fiscal year 2007 (hereinafter, "FY07") budget for Function 700 (Veterans' Benefits and Services) and for Function 500 (Education, Training, Employment, and Social Services) programs within the Committee's jurisdiction. This letter responds to the Committee's obligation to provide recommendations on veterans' programs within its jurisdiction, albeit from the perspective of the Undersigned Members.

I. SUMMARY

The Department of Veterans Affairs (VA) requires, at a minimum, \$3.45 billion in additional funding in FY07 to support its medical care operations. Our requested medical services increase is \$1.49 billion over the Administration's request.

Once again, the Administration's proposed budget includes a number of legislative proposals designed to generate additional savings and revenue. The Undersigned Members unanimously reject each of the legislative proposals—the increase in prescription drug copayments from \$8 to \$15 for “middle-income” veterans; the annual enrollment fee of \$250 for “middle-income” veterans; and eliminating the practice of offsetting VA first-party copayment debts with collections from insurance companies.

With respect to benefits, we disagree with the amount requested for staff at the Veterans Benefits Administration for compensation and pension, and at the Board of Veterans' Appeals. We also recommend additional funding for the Department of Labor's Veterans' Employment and Training Service. In addition, we believe it is time to provide non-service connected pension for Filipino veterans who served alongside American troops during World War II.

The projections for discretionary account spending in the out-years are disturbing. The VA health care system would be decimated should the Administration's budget for future years become a reality. It is our view that veterans, who have sacrificed for this country, are carrying a disproportionate share of the burden to balance the Federal budget. We believe that the Government can be fiscally responsible and reduce the Federal deficit and debt, and still fulfill our commitment to our Nation's veterans. The cost of war must include the costs of caring for servicemembers when they return home.

II. DISCRETIONARY ACCOUNT SPENDING

A. *Proposed medical services*

While we generally agree with the Administration on the level of funding required to support VA health care, we differ on the amount that needs to come from actual appropriated dollars, relative to the amount that can be garnered directly from veterans in the form of new fees and increased copayments, or “saved” by the use of less than concrete efficiencies.

Prescription Drug Copayment Increase for Priority 7 and 8 Veterans: The Undersigned Members oppose the Administration's increase to this copayment from \$8 to \$15, for a projected savings of \$355 million from increased revenue and decreased enrollment of these categories of veterans. In large measure, Priority 7 and 8 veterans—earning as little as \$26,902—cannot afford to pay almost double for needed prescription drugs.

\$250 Enrollment Fee for Priority 7 and 8 Veterans: The Undersigned Members oppose the Administration's new enrollment fee of \$250, for a projected savings of \$410 million from increased revenue and decreased enrollment of these categories of veterans. Again, this proposal is targeted at “middle-income” veterans, and we believe it is an unacceptable financing mechanism.

Offset of First-Party Debt: The Undersigned Members of the Committee oppose a change in law which would eliminate the practice of offsetting or reducing VA first-party copayment debts with recoveries from insurance companies. Presumably, many of these veterans were drawn to VA because of low-cost prescription drugs. Yet, in most cases, acquiring these drugs requires visits to a specialty care provider. The vast majority of these veterans are elderly

and on a fixed income. They are not “high-income” by any local economic standard but are certainly over the “means test” threshold. While the current primary care copayment of \$15 is in line with most private insurance companies, VA’s specialty care copayment is \$50 per visit. The amount is high enough to be an instant disincentive to seeking medical care in VA. VA estimates this change would yield \$31 million in increased collections.

Efficiencies: The Administration is estimating cumulative efficiencies of \$1.1 billion in FY07, which results in an additional \$138 million in efficiencies for the medical services account. At the request of the Committee’s Ranking Member, the General Accounting Office performed an audit of VA’s management efficiency savings claimed for FYs 03–06. GAO reported VA lacked a methodology for making these assumptions and found that the Department could not support its own estimates. VA has termed these efficiencies as “clinical” rather than “management” this year, but regardless of their classification, they should not be used to offset increased appropriations until such time as they are verifiable.

1. Current services (+\$892 million)

Payroll inflation, increases in the costs of goods, and other “uncontrollables” dictate funding increases of at least \$892 million in FY07 simply to maintain the level of current services. VA’s medical care payroll costs will increase by \$458 million in FY07 due to non-optional cost-of-living and within-grade salary and wage adjustments, as well as increases in government-paid Social Security, health insurance, retirement, and other benefits. The cost of inflation and rate changes for goods and services (including pharmaceuticals) dictates the need for an additional \$434 million in funding in FY07.

We are concerned that the Administration has not adequately budgeted for enough physicians and nurses to meet the increased demand for veterans seeking VA medical care in FY07. The number of physicians, Registered Nurses, Licensed Practical Nurses, Licensed Vocational Nurses, and Nursing Assistants in the Medical Services account has remained nearly flat since the FY05 budget submission. Although the FY07 budget shows a net increase of 100 Physicians (12,337 to 12,437), there has been no increase in the number of Registered Nurses, Licensed Practical Nurses, Licensed Vocational Nurses, and Nursing Assistants. VA should make the establishment of a national nurse staffing standard a high priority and budget funds accordingly to accelerate the completion.

2. Rescinding the ban on priority 8 veterans (+\$706 million)

VA has seen a substantial increase in enrollment, especially in the number of “middle-income” veterans—those whose financial means are above the HUD geographical low-income threshold for their respective counties. In January 2003, the Administration halted enrollment for Priority 8 veterans.

The Administration’s request for FY07 assumes the enrollment ban on Priority 8 veterans will continue. The Undersigned Members estimate that new resources of \$706 million are needed to re-

store access for these veterans.⁷ We believe veterans needing VA care should not be prohibited from enrolling in the system. Indeed, adequate appropriated funding should be provided to VA so that all veterans have access to VA services. Additionally, many of these veterans bring health care coverage with them and continue to pay copayments for care and drugs, so, in effect, they actually bring revenue into the system, offsetting the cost of their care. We can think of no other health care system which discourages insured patients from seeking care.

The Undersigned Members believe it is important to note that this cost estimate would be reduced if the ban was actually rescinded, due to the fact that the Priority 8 veterans who would come into the system would bring their third-party insurance with them, in addition to paying copayments for their care and prescription drugs. Both of these factors would generate revenue that would offset VA's obligations.

3. Demand changes (+\$1.726 billion)

In large measure, we support the Administration's estimated cost for demand and case mix changes for all veterans' priorities (\$1.495 billion). It is abundantly clear that veterans are relying heavily upon VA for pharmaceuticals. In addition, older veterans present for care with debilitating and chronic conditions requiring a higher—and more expensive—level of care.

We would also like to address the issue of returning servicemembers, as we believe the Administration is once again underestimating demand. VA has estimated that any potential workload from OIF/OEF will be negligible relative to the overall number of new enrollees each year. Such veterans cost VA \$232 million to treat in FY05, and ultimately required an increase of that same amount in FY06 for a total funding level of \$464 million.

We believe that VA should keep their level of funding for treating these veterans in FY07 consistent with the current fiscal year, as these returning servicemembers are entitled to a two-year "automatic" window of eligibility for VA care upon their separation from service (Public Law 105-368). As such, we recommend a total funding level of \$696 million for treating OIF/OEF veterans under current law, for an increase of \$231.7 million over FY06.

4. New initiatives (+\$123 million)

The Undersigned Members of the Committee accept the Administration's proposed new initiatives. While we support each of these initiatives, we believe that more can and should be done—especially in the areas of readjustment counseling and rehabilitative care. The first is critically important for returning OIF/OEF servicemembers; the second is a lifeline for veterans of all ages.

Vet Centers. As the War on Terrorism continues, the number of veterans seeking readjustment counseling and related mental health services through Vet Centers will continue to grow. Experts predict that as many as 30 percent of those returning servicemembers may need some kind of mental health treatment—from basic readjustment counseling to care for debilitating PTSD.

⁷ 241,876 Priority 8 veterans have been turned away thus far, at an average per user cost of \$2,921.

Furthermore, a recent study published in the Journal of the American Medical Association reported that 35 percent of Iraq veterans received mental health care during their first year home. Despite increases in the number of veterans coming for care to Vet Centers, the budget for the program has remained relatively stagnant. We note that legislation to authorize \$180 million in funding for Vet Centers passed the full Senate last December. We therefore recommend that Vet Centers receive a funding increase of \$81 million above FY06 to meet that end.

Rehabilitation. The Administration is projecting a decrease in the average daily census for its residential rehabilitation care program. We believe that the rate of spending for this account should maintain the same rate of growth as in previous years. Rehabilitative care programs offer a full range of rehabilitation services in a supportive environment, with minimal medical care. We recommend an increase of \$42 million for this program.

Our overall views on medical spending are summarized in the chart below:

Current Services:	
Salary and wage adjustments and increases in benefits	\$458 million
Inflation and rate changes for goods and services	434 million
Subtotal Current Services	892 million
Restoring Enrollment to Priority 8 Veterans	706 million
Demand:	
Administration's Estimate for Demand	1.495 billion
OEF/OIF Workload	231 million
Subtotal Demand	1.726 billion
New Initiatives:	
Vet Centers (Readjustment Counseling)	81 million
Rehabilitative Care	42 million
Subtotal New Initiatives	123 million
Total New Funding Needed for FY07	3.45 billion

B. Proposed discretionary spending for FY08–FY11

The Administration's proposed budget for discretionary spending in the near term lays out a financial path which would devastate VA health care. The cuts over five years would total \$10.3 billion, including \$789 million in FY08; \$2.33 billion in FY09; \$4.033 billion in FY10; and \$4.94 billion in FY11.

We are fully cognizant that the proposed budget contains assumptions about future years. Nevertheless, we view the current strategy as one which gives in the first year and cuts heavily thereafter. Veterans groups know and understand that a frozen appropriation coupled with cuts in other programs will translate into a reduction of services and benefits. Any budget resolution must reverse these cuts in the future years.

C. Medical and prosthetic research

The Administration's proposed FY07 budget for the direct costs of VA research is \$399 million, representing a \$13 million cut from the current year level of \$412 million. This sum is insufficient to sustain current research initiatives or to provide the program growth necessary to attract and retain quality clinical staff; rather,

it would result in the direct loss of 96 projects and 286 FTE. We believe that an additional \$35.7 million to the Administration's proposal is required to sustain the current VA research and development program commitments and cover inflationary cost increases associated with these commitments. This will ensure that VA is able to continue addressing the special needs of our country's veterans, and enable VA to continue to recruit and retain the highest quality physicians. Therefore, we recommend a total funding level of at least \$434.7 million to maintain current services and avoid any personnel or project cuts.

D. Grants for State Extended Care Facilities (SECF)

The Administration is proposing a funding level of \$85 million in FY07 for the SECF Grant program, the exact same amount that VA estimates it will spend on the program in the current fiscal year. The Undersigned Members believe that this program should receive a slightly higher level of funding, as it is a cost-effective and successful long-term care program.

SECF's provide long-term care services to over 27,000 veterans in 119 locations across 47 States and Puerto Rico. Construction matching grants are awarded both for new construction in States with the highest needs as defined by P.L. 106-117, and for repair, renovation, or expansion of existing State Homes. Federal construction grants fund up to 65% of the cost of construction, with States contributing at least 35% of the total cost. In FY06, the Administration proposed zeroing-out the funding for the construction grant program from \$104.3 million in FY05. Congress rejected this proposal, although the final appropriation level was reduced by \$19.3 million to \$85 million.

With construction costs rising, and at least \$237 million in pending SECF construction grant requests already approved by States, the Undersigned Members recommend that FY07 funding for SECF Construction Grants be increased from the FY05 baseline to account for inflation costs (current annual CPI index of 4%, accounting for \$4.2 million of the increase), then by \$19.3 million to restore the cut in FY06; for a total FY07 funding request of \$127.8 million. This amounts to a net \$23.8 million increase above the Administration's FY07 request of \$85 million.

E. Compensation and Pension Service

VA anticipates an end-of-fiscal year 2007 pending workload of 396,834 receipts. Despite this projected inventory, the Administration's budget would cut direct compensation staff by 149. We do not believe that VA can manage this increased workload without additional staff.

VA has stated that caseload from the Vietnam and Gulf War eras is increasing rapidly and that this trend is expected to continue through the budget year.

Additionally, the best indicator of new claims activity is the size of the active duty force. Over 616,000 veterans of the Gulf War era are in receipt of benefits from VA. More than one million servicemembers have deployed in support of Operations Enduring and Iraqi Freedom. Therefore, we can expect a large number of new claims as a result of these ongoing conflicts. These new veterans deserve to have their claims rated timely and accurately.

We recommend an additional 200 FTE for direct compensation work. This number would help to reduce the expected end-of-fiscal year 2007 backlog. We ask for an additional \$17.1 million to accomplish this goal.

F. Vocational rehabilitation and employment

We support the provision in the budget that increases staffing by 130 FTE over the FY 2006 level for VR&E to fully implement the Employment Coordinator position for the Job Resource Labs.

The additional FTE will aid in the implementation of the Five-Track Employment Model, which was suggested in the Department's April 2004 Vocational Rehabilitation and Employment Task Force report.

Additionally, VR&E's workload is expected to increase 2.5 percent in 2007 as a result of the VBA-wide effort to increase outreach activities to separating servicemembers. VR&E expects more veterans to utilize their services as the number of wounded veterans from Operations Enduring and Iraqi Freedom increases. We will monitor staffing needs at VR&E to ensure that our disabled veterans are receiving the assistance necessary to enable them to become employable and maintain that employment, or achieve, to the maximum extent practicable, independent living.

G. Insurance

VA's insurance division is continually recognized for its excellent, professional service provided to veterans, active duty servicemembers, and their beneficiaries. We support the Administration's request for this division.

H. Housing

Housing is one of the best-run VA divisions. VA helps veterans and active duty personnel purchase and retain homes in recognition of their service.

However, we take note of the decrease of 17 FTE and will monitor whether Housing is able to continue its high standard of service given that VA expects more eligibles to take advantage of the loan guaranty as interest rates continue to rise. Additionally, VA anticipates defaults and foreclosures to increase consistent with the high volume of loans guaranteed in 2002 and 2003.

We applaud VA's efforts to assist veterans with foreclosure avoidance. We look forward to obtaining statistics on active duty military personnel and veterans who could not have purchased homes but for VA assistance.

I. Board of Veterans' Appeals

The Board of Veterans' Appeals (BVA) is responsible for making final Departmental decisions on behalf of the Secretary for the thousands of claims for veterans' benefits presented for appellate review.

There is a glaring problem with BVA's appeal resolution time despite its decrease from 622 days in 2005 to 600 days in 2007. The numbers are not expected to improve to the strategic target of 365 days (from receipt of the Notice of Disagreement to rendering of final decision) in the near future. While the Administration's request of \$55,309,000 would support 444 FTE, we recommend BVA

be provided with 25 more employees at \$2,875,000 above the Administration's budget to reduce the backlog at BVA and decrease the average days pending.

J. Education

We support the Administration's request of \$90.1 million in discretionary funding for educational assistance administered by VA. The proposal calls for an increase of 46 FTE over the fiscal year 2006 level for a total of 930 FTE for fiscal year 2007. Education claims rose by 35 percent between fiscal year 2002 and 2004. We believe the additional FTE will increase the timeliness of education claims' processing.

K. Office of the Inspector General

The work of the VA Office of Inspector General (OIG) has made significant contributions to management effectiveness throughout VA. Its independent oversight of VA's programs and activities has resulted in a return on investment over the last 3 years of \$128 for every \$1 spent. Given the diverse and complex nature of VA's significant and important mission, the VA could effectively utilize \$10 million over the Administration's request to improve service to our Nation's veterans. We recommend that \$4.3 million be used to support 20 additional FTE in the Fugitive Felon Program, and \$5.7 million be utilized to support 51 FTE that would expand OIG oversight.

In the Fugitive Felon Program to date, using about 17 FTE, the VA GIG identified \$218.2 million in estimated erroneous payments, \$237.3 million in estimated cost avoidance, and 1159 arrests—including 73 VA employees. We estimate that the additional \$4.3 million and 20 FTE could result in cost avoidance reaching \$209.6 million and 1100 arrests per year, as law enforcement agencies issue an estimated 2 million new felony warrants a year.

These 51 FTE would support additional auditors, health care inspectors, and criminal investigators to focus on enhanced quality and safety of health care including issues of credentialing and privileging, identity theft to obtain medical care, and drug diversion; and systemic audits to improve financial management controls, information technology security, claims processing timeliness and accuracy, and procurement practices.

L. Department of Labor, Veterans' Employment and Training

VA estimates that one in three homeless Americans has served their country in the Armed Services.

Congress established the Homeless Veterans' Reintegration Program (HVRP) in 1987 amid concerns that the number of homeless veterans has risen steadily since the Vietnam War. HVRP provides competitive grants to community-based organizations to offer outreach, job placement, and supportive services to homeless veterans. Homelessness presents a high barrier to employment, and homeless reintegration programs help break down that barrier with specialized support unavailable through other programs. HVRP also offers specialized support to compliment its employment services for many veterans who have been turned away from other programs because of substance abuse and post-traumatic stress disorder.

The Department of Labor estimates that 16,250 homeless veterans will be served through HVRP at its fiscal year 2006 appropriated level of \$21.78 million, nearly the same amount requested in the fiscal year 2007 request. This figure represents just 4 percent of the overall homeless veteran population, which VA estimates to be more than 400,000 over the course of a year. While the fiscal year 2006 appropriation was the most received by HVRP in any fiscal year, it funds the program at only 44 percent of the authorized level. An appropriation at the authorized level of \$50 million would enable HVRP grantees to reach an estimated 36,820 homeless veterans. Therefore, we request an additional \$28 million for HVRP.

We additionally recognize that VETS would benefit from an additional \$12 million for Veterans Workforce Investment Grants (VWIP) and the National Veterans' Training Institute (NVTI). Give the unemployment rate for young veterans, VWIP should continue to expand its efforts to target recently separated veterans. Those involved in the delivery of services to veterans must be adequately trained. We expect that with additional funding, NVTI will develop new courses based on the Jobs for Veterans Act.

III. MANDATORY ACCOUNT SPENDING

We support the budget request of \$42.1 billion for entitlement programs, and request an additional \$106 million for non-service connected pension for Filipinos who served alongside U.S. servicemembers during World War II.

This Administration's requested increase in mandatory funds provides for a 2.6 percent cost of living adjustment in 2006. A 2.6 percent increase is the expected increase estimated in the Consumer Price Index and is the same increase expected for Social Security benefits. Other than the cost-of-living increase, there were no other legislative proposals for this mandatory account in the President's budget.

IV. CLOSING

We thank the Budget Committee for its attention to the Under-signed Members' views and estimates of the Administration's fiscal year 2007 budget, and we look forward to working with the Committee in crafting a budget for VA that truly meets the needs of our nation's veterans.

Sincerely,

DANIEL K. AKAKA,
Ranking Member.
 JOHN D. ROCKEFELLER IV.
 PATTY MURRAY.
 BARACK OBAMA.
 KEN SALAZAR.
 JAMES M. JEFFORDS.

On May 18, 2006 the House of Representatives passed H. Con. Res. 376, the House-prepared fiscal year 2007 Congressional Budget Resolution. On March 16, 2006 the Senate passed S. Con. Res. 83 as amended, the Senate-prepared version of the Congressional Budget Resolution. The two chambers never reconciled the dif-

ferences between the two Resolutions prior to the adjournment of the 109th Congress.

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