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MEMBERS' DAY

HEARING

BEFORE THE

COMMITTEE ON THE BUDGET
HOUSE OF REPRESENTATIVES

ONE HUNDRED SIXTH CONGRESS

SECOND SESSION

HEARING HELD IN WASHINGTON, DC, MARCH 2, 2000

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MEMBERS' DAY

THURSDAY, MARCH 2, 2000

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to call, at 10:10 a.m. in room 210, Cannon House Office Building, Hon. Saxby Chambliss presiding.

Members present: Representatives Chambliss, Collins, Bass, Fletcher, Spratt, Bentsen, Moran.

Mr. CHAMBLISS [presiding]. Our hearing will come to order. Today is what we refer to as "Members' Day" before the Budget Committee. This is a portion of the budget process that is required by our budget law. And unfortunately, due to the rescheduling of House business, some of our folks who were scheduled to be here today have decided they would go home, I guess, rather than being here. So we are going to proceed anyway.

We have Members of Congress here today to present their views because they know this is the most important committee on the Hill. And folks like Ike Skelton know how important it is to be here to talk to us about defense. Ike, we are pleased to have you here. You are a great friend of Members on both sides of the aisle, particularly on the issue of defense. We are very pleased to have you here.

At this time before I turn over to you, I will turn it over to my colleague, Mr. Spratt, for any comments he has.

Mr. SPRATT. Mr. Chairman, I would like it if you could tell us officially what the plan and schedule for markup is next week.

Mr. CHAMBLISS. Well, I do not think anybody knows right now, very honestly. I don't think that we are going to mark next week.

As of late yesterday, yesterday afternoon, there was no definite schedule about the markup next week. Originally we were scheduled for Wednesday. Frankly, I do not see how we can do that because we do not come back in until Wednesday.

Mr. SPRATT. That was my concern too. We would appreciate as much notice as possible when the markup is to be held.

Mr. CHAMBLISS. That is a reasonable request, and we will accommodate you.

Mr. Skelton, we are glad to have you, and we will turn it over to you.

STATEMENT OF THE HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Mr. SKELTON. Mr. Chairman, thank you very much and Mr. Spratt. I appreciate you allowing me to be with you this morning,

members of the Budget Committee. I appear before you today to present my views about national security accounts of the Federal budget for fiscal year 2001.

In many respects the administration defense budget this year is a good news story. The total overall figure is approximately $305 billion in budget authority for national security activities in fiscal year 2001 which represents a real inflation adjusted increase of about 1.3 percent in the defense accounts over last year's total or about $12.2 billion more than the fiscal year 2000 funding level if you include the proposed $2.3 billion supplemental appropriation for Kosovo. The defense budget includes about $292 billion for the Department of Defense and $13 billion for nuclear weapons related activities in DOE. While $300 billion seems like a lot of money and it is, I nevertheless have concerns that the budget is not adequate to meet our defense requirements in three key areas: First, procurement; second, health care; and third, readiness.

Although this year's defense budget includes some $60 billion for procurement accounts, the accounts through which we buy major weapons systems, the funding level comes after years of those accounts being underfunded relative to the large military requirements. This year, Mr. Chairman, former Secretary of Defense Bill Perry testified before our committee, the Armed Services Committee, that the procurement funding in this year's budget is at least $10 billion below what we need to execute our national military strategy of being prepared to fight two major wars. The Chiefs in the military services have told us the same thing.

With respect to health care, the budget includes $11.6 billion dollars for our defense health program, which is $450 million above the fiscal year 2000 level. Because of a combination of fewer on-base medical facilities as a result of base closures and the aging retiring population, providing health care for military retirees has become a pressing problem. Several military health care bills have been introduced.

No one disagrees that we must keep faith with the service members, their families, and retirees who have served our country at such great sacrifice. The fiscal reality is that providing health care to aging retirees is very expensive. The President's budget adequately provides for active duty service members and their families, but it does not address health care for retirees.

I urge this committee to provide the resources to enable the Armed Services Committee to meaningfully reform the health care system without robbing other accounts within the defense budget.

Third, military readiness is also a source for concern. With ongoing deployments in the Middle East, Bosnia, Kosovo, the operational tempo for our forces have been steadily rising. The operations and readiness accounts that fund training and education activities, exercises, base and range maintenance, and military operations are critical to the Defense Department's ability to perform its missions and protect our national security.

Unfortunately these accounts suffered last year. The decision to apply .38 percent across the board cut last year to all fiscal year 2000 appropriations did not affect military personnel accounts. They were exempted. As a result, DOD's operations and maintenance accounts were reduced disproportionately by about $500 mil-

lion. The total O & M appropriation was about $600 million below the amount the President requested in last year's budget. We need to do better this year so that our military readiness does not suffer.

Mr. Chairman, the Armed Services Committee's ability to authorize the programs necessary to protect our national security interests depends on having sufficient resources. With the caveats I just mentioned the President's budget this year does a good job of enabling us to meet our challenges. I hope the Budget Committee will be able to agree to a budget resolution that provides enough funding for us to address all of our priority concerns, especially those three, Mr. Chairman, that I mentioned.

I appreciate the opportunity to express my views. I look forward to working with the members of the budget committee in the days ahead.

I might add this post-script, Mr. Chairman. I have had the opportunity to visit with young men and young women at Army posts, military bases here in our country in recent months and also bases and posts overseas. All of us can be very, very proud of the young men and young women who wear the American uniform.

But I tell you, Mr. Chairman, Mr. Spratt, we are wearing them out. We are wearing out the young men and women in uniform. The operational tempo in most cases is just unbelievable. I just think we have to do something about it. The only relief comes in this budget committee.

For instance, between 1945 and 1990, a period of 45 years, the American military had a total of 50 deployments in 45 years. 1990 to date, a period of 10 years, the American military has had a total of 60 deployments. We are wearing them out.

So I think it is all the more important for us to show them that we support them with procurement, with health care, and with readiness dollars so they can do the best job possible for our country.

Thank you.

[The prepared statement of Ike Skelton follows:]

PREPARED STATEMENT OF HON. IKE SKELTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MISSOURI

Thank you. Mr. Chairman, Mr. Spratt, and members of the Budget Committee, I appear before you today to present my views about the national security accounts of the Federal budget for fiscal year 2001.

In many respects, the Administration's defense budget this year is a good news story. The overall total of approximately $305 billion in budget authority for national security activities in fiscal year 2001 represents a real, inflation-adjusted increase of about 1.3 percent in the defense accounts over last year's total—or about $12.2 billion more than the fiscal year 2000 funding level if you include the proposed $2.3 billion supplemental appropriation for Kosovo. The defense budget includes about $292 billion for the Department of Defense and $13 billion for nuclear weapons related activities of the Department of Energy.

While $300 billion seems like a lot of money and it is, I nevertheless have concerns that the budget is not adequate to meet our defense requirements in three key areas—procurement, health care, and readiness.

Although this year's defense budget includes some $60 billion for procurement accounts—the accounts through which we buy major weapons systems—this funding level comes after years during which those accounts were underfunded relative to acknowledged military requirements. This year, former Secretary of Defense Bill Perry testified before the Armed Services Committee that procurement funding in this year's budget is at least $10 billion below what we need to execute our national military strategy of being prepared to fight two major wars. The chiefs of the military services have told us the same thing.

With respect to health care, the budget includes $11.6 billion for the Defense Health Program, which is $450 million above the fiscal year 2000 level. However, because of a combination of fewer on-base medical facilities (as a result of base closures) and an aging military retiree population, providing health care for military retirees has become a pressing problem. Several military health care bills have been introduced, and no one disagrees that we must keep faith with service members, their families and retirees who have served our country at such great sacrifice. The fiscal reality is that providing health care to aging retirees is very expensive. The president's budget adequately provides for active duty service members and their families but does not address health care for retirees. I urge this committee to provide the resources to enable the Armed Services Committee to meaningfully reform the military health care system without robbing other accounts within the defense budget.

Military readiness is also a source of concern. With ongoing deployments in the Middle East, Bosnia and Kosovo, the operational tempo for our forces has been steadily rising. The operations and maintenance accounts—the readiness accounts that fund training and education activities, exercises, base and range maintenance, and military operations—are critical to the Defense Department's ability to perform its missions and protect our national security. Unfortunately, these accounts suffered last year. The decision to apply a .38 percent across-the-board cut to all fiscal year 2000 appropriations did not affect military personnel accounts—they were exempted. As a result, DOD's operations and maintenance accounts were reduced disproportionately, by about $500 million, and the total O & M appropriation was about $600 million below the amount the president requested in last year's budget. We need to do better this year so that our military readiness does not suffer.

Mr. Chairman, the Armed Services Committee's ability to authorize the programs necessary to protect our national security interests depends on having sufficient resources. With the caveats I just mentioned, the president's budget this year does a good job of enabling us to meet our challenges. I hope the Budget Committee will be able to agree to a budget resolution that provides enough funding for us to address all of our priority concerns.

I appreciate the opportunity to express my views, and I look forward to working with all the members of the Budget Committee in the months ahead. Thank you.

Mr. CHAMBLISS. Thank you, Ike. Just as an add-on to what you said, I likewise have had the opportunity to visit with folks on bases, had the opportunity to visit with folks all over the world. I am finding out the same thing as you and I were talking about earlier. It is not only with the active forces but our Guard and Reserve folks are just worn thin. It seems that we are continually calling on the Guard and Reserve more and more. As a result, it is not only hurting our morale but hurting our recruiting within the Guard and Reserve in addition to the problems that we are having in recruiting and retention in the active force.

Let me just make sure for the record that we get these numbers right. Last year our fiscal year 2000 budget called for $293 billion in Defense Department spending. The President has come in with a request this year of $305 billion.

Mr. SKELTON. That is correct. My figures are $292 billion for Department of Defense and 305 this year. That excludes the DOE.

Mr. CHAMBLISS. Two hundred ninety-two and the President requested 305. In addition to that, the service Chiefs testified 2 weeks ago that their underfunded requirements are approximately $16 billion in addition.

Mr. SKELTON. That is correct. If you add all four service unfunded requirements, that is correct.

Mr. CHAMBLISS. Thanks. Mr. Spratt.

Mr. SPRATT. Mr. Skelton, if you were to get the $10 billion, how would it be distributed?

Mr. SKELTON. In the procurement account?

Mr. SPRATT. Yes, sir.

Mr. SKELTON. A lot of it would have to go to the necessary spare parts. Young people do not mind working in bad conditions. If they do not have spare parts to fix the helicopters or whatever they do, a lot of that would help immensely.

Mr. SPRATT. Spare parts is not going to new procurement, more in the category of O&M rather than R&D and procurement; is that correct?

Mr. SKELTON. You could be correct, yes, sir. There are various major weapons systems. I am concerned personally that if we do not ramp up the ship building in our country, we are going to find ourselves as a 200 ship Navy. We are 300 ships right now. You recall when we were doing our best to have a 600 ship Navy. When we get down to a 200 ship Navy, when they say America go home, we will go home because we cannot cover the waterfront as we are now.

There are several major weapons systems. We need to upgrade the B–2 to keep that going. As you know, they have done an excellent job. There is a continued need for a Navy aircraft. The Air Force, of course, wants the F–22. The Army has come out with a transition proposal which will end up purchasing—we do not know what yet, but a type of lighter vehicle. Whether they are tracked or wheeled vehicle, we are not sure. That of course is going to cost a great deal of money.

Mr. SPRATT. Mr. Abercrombie has proposed a Medicare subvention, use of Medicare at military health treatment facilities. Do we have an estimate on the cost of his bill yet?

Mr. SKELTON. Yes, for all but two portions of it, Mr. Spratt. The cost on the majority minus those two portions is $910 million. If you really want a bottom line figure, the best I can give you is a fair estimate of a minimum of $2 billion overall. I would think that would cover the majority. We were unable to cost out those two areas which are fuzzy in a never-never land until you actually run the programs. I would judge $2 billion would be sufficient.

Mr. SPRATT. Thank you very much.

Mr. CHAMBLISS. Mr. Collins. Mr. Moran.

Mr. MORAN. Mr. Skelton, how do you feel about some of the military health care proposals that have been more inclusive, for example, offering the Federal employees health benefits plan to all military retirees who lose their health coverage after they turn 65?

Mr. SKELTON. As was mentioned a few moments ago, I am a principal cosponsor with Mr. Abercrombie on his bill. That is one of the two areas in our bill that we cannot cost out. We have not been able to cost that out. What that does is that continues the pilot program, and those that have bought into it are guaranteed that it will not be cut off in the future.

The problem with it is that to join that, people have to write a check for about $1600. I think that has caused—plus the fact they did not know it was going to be a permanent thing, which we reviewed in our legislation, has caused the project or demonstration program, whichever you want to call it, not to be fully utilized. I think we might get at it in another way through the subvention. We also have benefits—a lot of money is involved—benefits for prescription drugs by mail or otherwise which would be very, very expensive.

Mr. MORAN. I appreciate that. I am a cosponsor of your bill, I think as you know. But Mr. Shaw has a bill that is considerably more expansive.

Mr. SKELTON. Yes, we understand that. And I compliment him and commend him for that. This is the Budget Committee, and as you know, it is a matter of what we can do in the political reality and to take three steps forward and rather than have a promise of four steps.

I think his bill—the other gentlemen may correct me, but my understanding and recollection is that his bill is around an $8 billion price tag. I see people nodding. So ours is more modest, but I think ours does make a major step to get to the heart of the matter to keep our promise.

You see, the administration, to its credit, has included a request in its total dollars to take care of the active duty folks, to beef that up as it should be. But it does not touch the retirees. We have taken a lot of years of these peoples' lives and in many cases they are disabled. They have given the best years of their lives, and I think we owe the retirees a major benefit through the legislation that we introduced.

Mr. MORAN. I appreciate that, Mr. Skelton. I missed the first part of your testimony but you are basically saying you need another $10 billion from what is in the budget here for the defense appropriation?

Mr. SKELTON. That is correct. There are three parts of my testimony. The first is the health care part. And because we were unable to cost out those two items that I mentioned, we have a figure of $910 million. And probably around a $2 billion total figure for the Abercrombie, Taylor, Skelton bill.

Readiness is one that we need to shore up. I do not think that we have had enough hearings actually to glue together a total figure on that, but we know it is going to be substantial. Former Secretary of Defense testified the other day and his exact words were "the procurement account." he limited his testimony that the procurement account should be a minimum—or "at least" was the phrase—at least $10 billion more to $20 billion. That was his high figure. In giving him all of the benefit of the doubt, I used the figure of $10 billion.

Mr. MORAN. Thank you, Mr. Skelton. Thank you, Mr. Chairman.

Mr. CHAMBLISS. Mr. Bass.

Mr. BASS. Thank you, Mr. Chairman, and thank you, Mr. Skelton, or Ike, for your testimony. I have great admiration for your expertise and understanding of the defense matters. As you know we served on the Intelligence Committee. I wish you were still there.

I know you were probably one of the most knowledgeable Members of this body on this issue. I am just curious, and this is not a trick question. I just want to know how much effort is being undertaken to try to find items in the defense budget that you could cut or eliminate that are unnecessary so that some portion of this request could be paid for.

Mr. SKELTON. I think our committee does a pretty good job of that. I am being a little parochial, Mr. Bass, but I think we do a pretty good job. We do not take at face value every recommenda-

tion made. If you look at our history, we have cut a number of items.

Of course there was an earthquake here last year when the Appropriations Committee, as you recall, cut the F–22. Of course there was finally a compromise on that. In the process of reviewing each of the procurement items, which is a major part of it, all of them are not funded and some are left out.

I am personally concerned that we should add substantial money—and not to a billion dollars but over a period of time several million dollars—in 250- and 500-pound smart ammunition. The Kosovo conflict showed us with the 2,000 pound bombs with the JDAM systems on them, without exaggeration, can send a 2,000 pound bomb through a window of your choice.

I am doing a lot of work personally, my staff and I, on urging 500 pound bombs and 250 pound bombs as opposed to just the 2,000. You can do a package for a 2,000, 500, or 250 pound bomb for $18,000 as opposed to a cruise missile at $1.2 million. And they accomplish the same thing.

So that is a roundabout answer to part of your question. I think that we do a good job in trimming, not fully funding but ramping up other areas such as ammunition.

I have to credit Duncan Hunter who is chairman of the procurement subcommittee on understanding that over the last several years the Pentagon has sent over recommendations for ammunition way short of training rounds.

To answer your question, I think we do a good job of gleaning the procurement accounts. I could go on and talk about personnel, but I think your question applied mostly to procurement.

Mr. BASS. Thank you, Mr. Chairman.

Mr. CHAMBLISS. Mr. Bentsen.

Mr. BENTSEN. Thank you, Mr. Chairman. Mr. Skelton, I apologize for missing your testimony but you certainly—at least from this Member's perspective—are one of the most respected voices on either side of the aisle when it comes to U.S. defense policy.

I gather from talking to staff that you believe the President's request of $306 billion for fiscal year 2001 is insufficient to the tune of about $12 billion. I heard you since I have been here lay out some of the reasoning for that.

I have a couple of questions about that. The first is what this committee is going to have to grapple with as we go forward is—and perhaps we will do it next week. I hear we may markup a budget next week sometime—is at what level to set the discretionary baseline and whether or not we completely abandon the spending cap set in the 1997 Balanced Budget Act or go back.

I think if we went back, we would be looking at caps of about $590 billion gross discretionary spending including defense and nondefense. Others have proposed a hard freeze at the level set last year of about $606 billion, I think, in total discretionary spending. The administration in their budget has proposed that we at least go forward from the fiscal year 2000 level and adjust for inflation.

Of course as you know, all of this has dramatic impact on what size of a surplus we would be looking at over the next 5, 10, and 15 years, and what you do with that surplus, whether you pay

down debt, have a tax cut, fund new initiatives or do a combination thereof.

I guess my question is sort of two part. If you could explain for the committee what the current U.S. defense posture is and why the need for continued increases in defense and why even in the post-cold war world where the U.S. is clearly the dominant military force in the world, why we must continue to increase defense spending at levels and do you believe that we have the correct defense posture?

I am not asking that as a loaded question, I am asking it for the record because I think it is important that we have these discussions.

Second of all, from your perspective on the defense side, how that fits in with our overall Federal fiscal policy. And now that the firewalls between defense and nondefense spending have gone away, you are quite familiar with those—you have been here for a while and been through those battles—how the Congress is going to reconcile all of this if we increase defense, which I think very well could be justified?

If we set this very hard cap going forward, do we have to take it out of things like the FBI or do we take it out of the Department of Education? Or do we need to look at all of these programs in a broader sense?

Mr. SKELTON. Next question.

Mr. BENTSEN. I know you can answer all of those, Mr. Skelton.

Mr. SKELTON. First, as to the state of America's military, it is excellent. We are having recruiting problems, retention problems, but nevertheless the young men and young women are marvelous in what they are doing.

That is not the bottom line. The bottom line is whether we can successfully carry out a defense policy, and that has been and should be the ability or to have the capability to fight and win two major regional conflicts. There is argument over that of course, but should we withdraw from that—and it almost happened in 1994 when Saddam Hussein was rattling his saber once again. The North Koreans started doing the same thing. The question was, heaven forbid, should we end up in two major conflicts and both of them, could we handle them. It would be difficult to do so, and I am sure that substantial supplemental appropriations would be requested to do so.

Can we do it now? I think we are on the cutting edge of being able to do that now. I think that we should plan for that. You see, so many folks—once the Wall came down and the cold war ended, our traditional adversary, the Soviet Union, went away for all intents and purposes at least momentarily.

But that also put us in a position of being the only superpower in the world. As a result we have, as you have seen and as I have seen, the mantle of responsibility in various areas whether you are speaking of Haiti, whether you are speaking of Panama, Kosovo, or Bosnia.

And our mere presence is a deterrent. That is why I spoke a few moments ago about having a sufficient Navy to be present in different parts of the world. The only major exception now has been East Timor where to the credit of the Australians they took the

lead on this. However, they could not have done that without our intelligence and logistics and communications.

It did not take a lot of people, but a fair amount of dollars in those three areas. If we realize our position in the world and the fact that we really do bring stability as opposed to winning a war, and bring stability and have the capability of successfully prosecuting two major conflicts, I think it is going to take every bit of the dollars that I spoke of.

I hope I answered both of your questions.

Mr. BENTSEN. You did. The only other thing and this is more of a rhetorical question that we have to answer—is given the responsibility of leadership that the U.S. has inherited and the dollar costs associated with that in our defense budget, we also have to weigh that as you know against our nondefense domestic needs and international needs.

I think this is more for our own purposes, members of the panel, and ultimately the Members of the entire House have to take that into consideration, that we cannot rob Peter to pay Paul. And I guess even in the times of surplus, the firewall battles that you have been through since the 1980's when I was staff years ago continue on and maybe even will become more intense.

Mr. SKELTON. I do not have an easy answer to that. I can only tell you that second place does not count on the battlefield. Should we be forced into a conflict—or two, heaven forbid—second place does not count in either one of them. Firewalls, budget issues that are issues of the day today will vanish like vapor because the only thing that really counts is whether we can prevent a conflict or, should we be forced into one or two, successfully prosecute them. At the end of the day that is the best security for our country.

Mr. BENTSEN. Thank you, Mr. Chairman.

Mr. FLETCHER [presiding]. Are there any other Members who have questions? If not—Mr. Collins.

Mr. COLLINS. Mr. Skelton, do you see within the next 3 years the need for another round of BRAC?

Mr. SKELTON. Probably so. It would politically be very difficult to do. I know that those in the Pentagon are requesting it. The easy rounds have already come to pass.

I wish to point out to my friends in the Pentagon that there is a statutory authority right now whereby they can choose 1, 2, 5, whatever bases they wish to close and do it, but they have to jump through the number of hoops.

I remember very well when I first came to Congress in 1977, I was greeted with the fact that the brand new Secretary of Defense, Harold Brown, was going to close Richards-Gebaur Air Force Base in my district and he did it. But he followed the procedures and my folks, you bet they were unhappy. Did he succeed? Yes, he succeeded. That is not the only route for the Pentagon to follow.

However, probably for them the less painful and maybe for everyone else less painful to have a series of base closings or BRAC. However, I might add this as a footnote. The dollars that were hoped to have been saved in the recent BRAC closings have not added up to what they thought they would save. However maybe they will over a protracted number of years. It will probably be a

recommendation, a continuous recommendation; and we probably ought to look at it seriously in the future.

Mr. COLLINS. Thank you, sir.

Mr. FLETCHER. Thank you, Congressman Skelton. We appreciate your testimony. If there are no further questions thank you very much.

I ask unanimous consent that all Members of the House may have 5 legislative days to submit written statements in the committee record on the subject of the budget for fiscal year 2000. Without objection, so ordered.

[The information referred to follows:]

PREPARED STATEMENT OF HON. GEORGE W. GEKAS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, thank you very much for permitting me to testify at this important hearing. I applaud your efforts not only for your work on the Budget, and your successes in protecting the Social Security surplus, restraining excessive government spending, giving tax cuts to the American people, and dramatically paying down the Federal debt, but also for your efforts on behalf of an issue that is near and dear to my heart: preventing government shut-downs.

As you know, H.R. 142, the Government Shutdown Prevention Act, removes the threat of the government shutting down due to an impasse in budget negotiations between Congress and the President. It provides for an automatic Continuing Resolution, at the previous year's spending level, to prevent the government from shutting down if an Appropriations bill has not been passed. This legislation has strong bipartisan support.

Our efforts in this endeavor have brought us close to victory a number of times: in 1995, the Congress passed an automatic Continuing Resolution, but it was vetoed by President Clinton. Then, last year, your Committee marked up a far-reaching Budget reform package, which included the automatic CR provision. This bill, which was scheduled for Floor action, unfortunately was pulled at the last minute.

As you know, this issue that has resonated very strongly with our Republican Colleagues. It seems that almost every year the Congress and the President go down to the wire in passing a budget, leaving Congress with little bargaining room against a President who is willing to shut the government down over his spending priorities. However, I must commend Speaker Hastert for his leadership in avoiding that predicament last year.

This legislation has, unfairly, I believe, been criticized as an attack on the Appropriations Committee and an attempt to usurp their power. In fact, nothing could be further from the truth. Instead of usurping the power of the Appropriations Committee, this legislation would serve to weaken the bargaining power of the President in those late bargaining sessions (hence his veto of this provision in 1995). Further, it would give the Committee the extra time that it needs to work out the wide-range of issues, and the pressure of finishing by a time-certain deadline, that confront the Committee at the end of Session.

Finally, let me commend the Budget and Appropriations Committee for the hard, thankless jobs that you have to do to ensure that the government's bills are paid on time. Your Committees have admirably withstood the pressure to delve into the Social Security surplus and have produced compromise spending bills that adequately fund the many priorities of the Republican House (and I particularly would like to thank you for your leadership and efforts to double the NIH budget), while walling off the Social Security surplus. That is a tremendous accomplishment, and those heroic efforts are indeed worthy of high praise.

In closing, I would simply like to request that the Budget Committee once again at least consider this modest, but important, reform.

Thank you for your time and indulgence.

PREPARED STATEMENT OF HON. PAUL E. KANJORSKI, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA

Mr. Chairman and Members of the Committee, thank you for allowing me to speak briefly about the environmental devastation suffered by eastern Pennsylvania, the current inadequacy of environmental mining reclamation policies to address this region's needs, and the urgent need for a comprehensive, regional approach to solving the problem. The opportunity for such an approach is contained

in the Administration's budget request for $250 million in tax credit bonds that can be used to clean up the anthracite coal region in Eastern Pennsylvania. I urge you to include this item in the Budget Resolution for Fiscal Year 2001.

Approximately 120,000 acres of land in twelve counties in eastern Pennsylvania bear the environmental scars of the anthracite coal mining industry from poor mining practices that took place more than 40 years ago prior to the adoption of environmental laws meant to reclaim the land. The U.S. Interior Department's Office of Surface Mining estimates that nearly $2 billion is necessary to restore the land and water of the anthracite region. However, only about $10 million per year is spent from the Federal Abandoned Mine Land Trust Fund in the anthracite region. At this slow pace, we will not remedy a critical environmental problem for centuries.

More than 20 million people are affected by the quality of water of the Susquehanna and Delaware Rivers, which carry acid mine drainage from the anthracite region to the Chesapeake and the Delaware Bays, respectively. The U.S. Geological Survey estimates that contaminated streams from the anthracite region dump 740 tons of sulfate and 51 tons of iron into the Susquehanna River every day. The Susquehanna River in turn provides more than half of the freshwater flow into the Chesapeake Bay; the Environmental Protection Agency has determined that this acid mine drainage is the greatest source of industrial pollution in the Bay.

Current environmental policy is based on either preventing pollution by regulation or providing funds to correct individual environmental problems. Like the Everglades, eastern Pennsylvania needs a long-term, comprehensive, regional environmental restoration program to correct the mistakes of the past. This is fundamentally an issue of fairness. Pennsylvania anthracite coal fueled the Industrial Revolution that made America the superpower it is today. Unfortunately, the physical scars left by the Industrial Revolution of the 19th and 20th Centuries have decreased our competitiveness in the Information Age of the 21st Century. By demonstrating that a single-purpose government corporation can undertake a sustained effort over a long period of time, we can serve as a model for other environmentally damaged regions of the country that seek to clean up this degradation.

A comprehensive, regional approach would remedy this problem more quickly and significantly reduce the cost of cleaning up the land and water of the anthracite region. In January of this year, Representative Sherwood brought the Resources Committee to Scranton, Pennsylvania for a field hearing on this problem. At this hearing, I proposed establishing a federally authorized organization to undertake a comprehensive clean-up plan that would result in the complete environmental restoration of the region over thirty years using a self-financing program that would recover the entire cost of the reclamation.

Toward the goal of the comprehensive cleanup of the anthracite region, the Administration included, as part of the Better America Bonds, an additional $50 million that would be authorized for each of the 5 years beginning in 2001 for environmental assessment and remediation of property damaged by anthracite coal mining. The President's proposal of $250 million in tax credit bonds would begin to finance a major portion of the environmental renaissance of eastern Pennsylvania. By producing a certain and sustained dedication of resources, our area would be able to complete the long-term restoration plan that is necessary for success. Absent a bond issue of at least this amount, a comprehensive restoration effort would not—and has not—succeeded.

Not only do I support this budget request, but Representatives Gekas, Holden and Sherwood support it as well. We will be forwarding a bipartisan letter to the Budget Committee to that effect in the next few days. I encourage the Budget Committee to give this request the full and fair consideration that it deserves.

In closing, thank you again, Mr. Chairman, for allowing me to comment at this time. I look forward to continuing to work with you and your committee on this important environmental restoration matter.

Mr. FLETCHER. The next individual testifying, Congressman Dana Rohrabacher. We welcome you here to the budget committee and look forward to your testimony.

STATEMENT OF THE HON. DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. ROHRABACHER. Thank you very much, Mr. Chairman. I thank all of you for the opportunity to testify before this committee on H.R. 142, The Government Shutdown Prevention Act.

Mr. Chairman, it is time to give up the budgetary equivalent of a nuclear weapon or what might be referred to as mutually assured destruction. It is time to repeal for all time the threat of the government shutdown. It is time to say that we do not have to have the threat of doing something that hurts ourselves and hurts the American people, that everybody thinks is stupid just to give ourselves the incentive to do our job and to enact appropriation bills. I guess what I am saying is it is time to pass the Government Shutdown Prevention Act. We have been talking about this for a number of years, and I still do not understand why we have not acted upon it after the debacle of the last government shutdown.

Mr. Chairman, whenever we propose the end—to end government shutdowns, we always hear the same thing, how can we pass appropriations bills without the threat of a government shutdown? One answer is that almost every year we somehow manage to enact one or more supplemental appropriation bills even though we know for a fact that the government will not shutdown if we do not pass them.

But the larger answer is are our appropriation bills so badly written that the only thing worse than passing them is a totally irrational alternative of shutting down the government? I do not think so and I have more confidence in the appropriations process than that. Even a step toward sanity would be worthwhile; and if we can go in the right direction, we need to do so.

The main reason that I support a 2-year budget cycle, which is a step in the right direction, is that it would mean at least every other year there would be no threat of a shutdown. If we can eliminate that threat half the time, why not go all of the way and eliminate the threat completely as far as I am concerned?

I urge this committee to support H.R. 142 and it makes sense to set up the system where if there is an impasse, we are going to be able to go back and go back to last year's level without having disruptions of services or having people make decisions here, for example, in the wee hours of the morning. Instead we should handle ourselves more professionally, and that is what H.R. 142 is all about and I would urge it be adopted.

Mr. FLETCHER. Thank you, Congressman Rohrabacher. Obviously, you said going to a biannual budget would be one step of saying that we do not have to face that threat at least every other year. Let me ask you, the advantages of the Government Shutdown Prevention Act, how would that change the balance of power? I mean Congress constitutionally is given more of the power of spending and taxing. It may restore more of that to Congress which because of the threat to shutdown it seems like we sometimes have our hands tied toward the end and we do end up with those midnight bills. I wish you would elaborate a little bit on how that may change the shift in power regarding——

Mr. ROHRABACHER. It is going to make everybody more responsible. The fact is that right now we have the power, but we also have the responsibility. And we know that if by a certain date we do not act and if there is an impasse, that comes with the executive branch especially, that—I know what happened last year in terms of Republicans getting blamed for the shutdown.

Who deserves the blame, the President or the Congress? I cannot tell you. All I can say is the American people were the losers. We are here trying to do a job for the people. Whether it is under this pressure that we are accepting appropriations bills that we should not accept, either that or whether we are shutting down the government and hurting people in the process, those are two bad alternatives.

If we cannot reach an agreement, there is no reason—why with the executive branch, there is no reason why I cannot see. This does not shift power as far as I am concerned. There is no reason why we cannot take things back to last year's level and that would give us an incentive to try to find a reasonable and responsible new spending level. That is what we are talking about with appropriation bills, spending levels. I do not think it shifts power. I think it just helps us do our job.

Mr. FLETCHER. I agree with you and I appreciate that. I hope that we can come together as we look at real budget reform, I think it is important to look at this. We appreciate very much your testimony.

Let me ask Mr. Bass, do you have any questions?

Mr. BASS. No, I do not, Mr. Chairman, except to thank you, Congressman Rohrabacher, for coming out in favor of biannual budgets and appropriations which for many reasons, a few of you which you touched on, would be a great move forward for this Congress.

Mr. FLETCHER. Mr. Bentsen.

Mr. BENTSEN. I have a couple of questions. This is an issue that this committee has grappled over some. Mr. Nussle and Mr. Cardin headed a budget reform panel. We considered a bill that tries to address this to some extent. We had some debates on it, and I did not agree with the way the bill came out,—I do not think it was the same as what you are proposing, but to have some sort of a fail safe provision for continuing resolutions at a lower level than the previous year.

We debated whether 80 percent, 70 percent, 60 percent was enough. My personal feeling is I think he set it low enough where it is painful enough to the Congress and the executive branch to get together, but not too painful that it hurts the people out on the street.

I have a couple of questions though about your bill. It would provide for an automatic 1-year continuing resolution at the previous year's level, correct, beginning October 1 if there is no action, and of course it would be supplemented then by subsequently passed appropriation bill for that fiscal year.

Mr. ROHRABACHER. It could be what now?

Mr. BENTSEN. You subsequently could adopt an appropriations bill for the fiscal year?

Mr. ROHRABACHER. Sure.

Mr. BENTSEN. Would it only provide for funding levels or would it carry forward legislative riders that were included in the previous year's appropriation?

Mr. ROHRABACHER. You know, that is a good question. I am not sure.

Mr. BENTSEN. I raise that because one of the problems I have——

Mr. ROHRABACHER. Of course the last time—if the last appropriations bill is in place, until you pass something that supplants it I would imagine that it would.

Mr. BENTSEN. It is a legal question worth exploring. This does raise questions of balance of power between the executive and the legislative.

It is interesting in my time in Congress that Congress has, in some instances, been trying to give power back to the executive on one hand and take it back with the other. I think that the line item veto was a perfect example of that. I know a lot of people thought that was on the basis of pork barrel spending.

And I kept thinking of Richard Nixon and from my home state, Lyndon Johnson. They would not have used that for pork barrel spending, they would have used that for absolute power given the opportunity. I think you might concur with that as a Californian.

But it worries me a little bit—I think your intentions are very, very good—but it worries me a little bit that we do not set some absolutes where the two branches because of the unique system of government that we have which I think is the best in the world, that we do not set some absolutes where you just have to sit down and make these decisions.

And Congress needs to protect its turf, if you will, with respect to the power of the purse, the power to appropriate, as well as the power to legislate; which we do use from time to time the appropriations process as vehicle to legislate.

In fact, I think you sit on the International Relations Committee. I sit on the Banking Committee. A lot of our respective committees' legislation ends up working its way through the appropriations process, it seems.

It concerns me that we might be giving that up a little bit. The other point I want to make is with respect to the 2-year budgeting—which I think is an interesting idea as well. And we have not spent much time on the committee on that, but it is something I think proponents need to be wary about—and that is that again while there are benefits of having a 2-year budget where you could spend the interim period actually reviewing executive branch execution of the budget and legislative policy contained in it—assuming we would actually do that—you also—the budget needs to be somewhat fluid.

We go through a lot of supplemental process. We have things that change within a 1-year period. We obviously would have more things change in a 2-year period. If I look at my own State of Texas where we have biannual budgeting because the legislature meets biannually—we also have a mechanism where we have what is called the legislative budget board that is made up of the governor and the speaker and the lieutenant governor and 1 or 2 other members of the legislature. They in effect have the power to act as the legislature in State government in the interim period. And while they genuinely——

Mr. ROHRABACHER. Is that in the case of emergencies?

Mr. BENTSEN. Emergencies, reprogrammings, and whatnot. I think we ought to think at the Federal level long and hard before we set up a system that would in some respects give a tremendous

amount of power to a smaller group of people than the House as a whole and the Senate as a whole.

Mr. ROHRABACHER. I think that is well stated. Obviously there has to be some provision for emergencies. We have to make sure that that emergency power does not evolve into a legislative power that we do not want to grant to a small clique.

However, I have been here 11 years now. I worked in the executive branch for 7 years before that. I will say that I do not believe that this Congress—or that Congress is as engaged in oversight to the degree that is necessary for us to fulfill our responsibilities to the American people.

Our job is not just spending money. Our job is not just paperwork. Our job is to see how this government is running and make sure it is running well and that things are not being done that are opposed to the will of the majority of the people as expressed through their elected representatives.

And there is very little oversight taking place by this Congress. We spend most of our time talking about authorizations and appropriations and do not have the time to get out in the field and go and actually visit.

We were just talking about the military a few moments ago. I do not know how many Members of this body actually get a chance more than once or twice a year to see certain military programs. We should see what this government is doing with the money and we should hear firsthand if somebody says this is a total waste of money, Congressman, why are we doing this?

Believe me, they are not going to come to the Congress to do that because they have to go through all sorts of layers of their own overseers to get to us. I think we need a lot more oversight, and a biannual budget would do that. I think with this idea of preventing the government shutdown at least it would mean that we could talk seriously. I do not think that it would fundamentally change the nature of the way that we do things.

Mr. BENTSEN. I concur with you that we need to do more oversight. The authorization and appropriation process gives you some ability to do that. It ends up being the responsibilities of the Members, the committee chairs, et cetera. But again on the automatic CR, it also creates the potential opportunity for Congress to decide if we really do not want to make the tough decisions, we do not want to fight it out with the President, whoever that may be, we have a very easy fall back which is to just let the automatic CR go on and we will come back and fight another day. I am not always sure that the people are well served by that as well.

There is that one other thing; I recall, you were in the Reagan administration at one point. I was staff up here during that time. President Reagan also had situations where he could not agree with the Congress and said I am not signing any appropriations bills and we are going to shutdown the government. I will give you this. I think given that experience and then with the 1995-1996 experience that the executive branch always wins the government shutdown battle. I do not know whether you agree with that or not.

Mr. ROHRABACHER. I worked with Reagan. I was his speech writer during that time. We were both staff for the players in that game. I seem to remember when that happened with Reagan,

Reagan got blamed for the shutdown. Later on when it got shut down under Bill Clinton, the Republican Congress got blamed. I think the Republicans always get the short end of the stick.

Mr. BENTSEN. I do not want to be accused as a Reagan apologist, but I have to say Reagan did pretty well throughout that period. He went on to win pretty handily in 1984 as I recall. I think he lost one or two States, but otherwise he did pretty well. That just shows you the power of the executive branch to begin with.

Mr. ROHRABACHER. The points you are making, let's put it this way, I think we can always change back if things do not work out and there is unforeseen consequences and we have shifted power that it works practically in a way we did not want it to work, we can go back. We can sit here in another meeting and have a discussion and vote on it and say if this does not work out we are changing back to the old system. But it seems to me that there are so many flaws today with the idea that we are holding government employees and people who are just dependent on government checks, we are holding them hostage. And that makes no sense. If we have to enact what we know is bad legislation just to keep the government running, that does not make any sense.

Mr. BENTSEN. I do not want to delay the committee's time, but your point is well taken. But the other side of that would be that the fear of putting it to the Federal employees that I think was done in 1995 and 1996 should be an incentive to the Congress and to the executive branch to avoid such catastrophic situations, to sit down and do the work that is necessary, get the budgets done, fight it out, and make the decisions that you make in a democratic system of government with checks and balances between the branches as opposed to putting it off until another day and in some cases carrying forward bad legislative and fiscal policy that the previous administration had. You can play it flat, you can play it round, but those are the concerns that I have with it. I appreciate your testimony. Thank you, Mr. Chairman.

Mr. CHAMBLISS [presiding]. Thank you, Mr. Rohrabacher.

Mr. ROHRABACHER. Thank you, Mr. Chairman.

[The prepared statement of Dana Rohrabacher follows:]

PREPARED STATEMENT OF HON. DANA ROHRABACHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. Chairman, thank you for the opportunity to testify before this committee on H.R. 142, the Government Shutdown Prevention Act.

Mr. Chairman, it is time to give up the budgetary equivalent of the nuclear weapon. It is time to repeal for all time the threat of the government shutdown. It is time to say that we don't have to have the threat of doing something that hurts ourselves and the American people, that everyone agrees is stupid, just to give ourselves enough incentive to do our job and enact appropriations bills. It is time to pass the Government Shutdown Prevention Act.

Mr. Chairman, whenever we propose the end of government shutdowns, we always hear the same thing: "How can we pass appropriations bills, without the threat of a government shutdown." One answer is that almost every year we somehow manage to enact one or more supplemental appropriations bills, even though we know for a fact that the government will not shut down if we don't pass them. But the larger question is this: Are our appropriations bill so bad, that the only thing worse than passing them is the totally irrational alternative of shutting down the government? I, for one, have more confidence in our appropriations work than that.

Even a step toward sanity would be worthwhile. The main reason that I support a 2-year budget cycle is that it would mean that at least every other year, there

would be no threat of a shutdown. But if we can eliminate that threat half the time, why not go all the way and eliminate the threat completely? I urge this committee to support H.R. 142.

Mr. CHAMBLISS [presiding]. Bob Filner.

Thank you for being with us today, Bob. The floor is yours.

Mr. FILNER. Thank you, Mr. Chairman. I would like permission to enter my formal statement in the record, along with a document called the Executive Summary of the Independent Budget, which I will explain in a moment. I hope I can introduce that in the record for you.

Mr. CHAMBLISS. Without objection.

[The prepared statement of Bob Filner follows:]

PREPARED STATEMENT OF HON. BOB FILNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

LET'S CRAFT A FAIR DEAL FOR OUR VETERANS

Mr. Chairman and colleagues, I appreciate your kind invitation to testify today on the Fiscal Year Budget 2001. I will be speaking about the portion of the budget that funds programs and benefits for our nation's veterans.

I am pleased that the Administration's budget for the year 2001 recognizes that the men and women who have served in uniform deserve an adequate budget for the Department of Veterans Affairs (VA), and I believe that the efforts of many Members of the House VA Committee and the efforts of our veterans' service organizations, specifically in formulating The Independent Budget, have been instrumental in producing a much better budget proposal than last year. I want to acknowledge these efforts!

The $1.4 billion increase in the health care budget will assure our aging and disabled veterans who need medical care—especially long term care, emergency care and specialized services—that their needs are a high priority. However, I join my colleagues and the authors of this year's Independent Budget in objecting to the proposal that $350 million of new resources for medical care authorized by the recently-passed Veterans Millennium Act be deposited to the Treasury. Funds collected from veterans for the provision of veterans' health care should be used to enhance the health care for veterans—not as a substitute for appropriated dollars.

I also want to emphasize my continuing concern that the VA is not adequately meeting the benefit and health care needs of veterans who served in the Gulf war and who now suffer from various diagnosed and undiagnosed disabilities. It has been almost 10 years since the men and women of our Armed Services were sent to the Gulf! The veterans of the Gulf war are sick with illnesses whose causes and cures remain a mystery. We must not relax our efforts to fund necessary and appropriate research. I join the authors of the Independent Budget in supporting an increase in funding for VA medical research, and specifically request that the medical research budget be increased by $65 million as recommended in the Independent Budget and that at least $30 million of that increase be directed to research involving the health of Gulf war veterans.

As our veteran population ages, the need for long term care increases. One means of providing access to such care is through the funding of State Veterans Homes. A new home will be opening in April in my Congressional District, and already there is a waiting list! I want other areas to have the same opportunity as the veterans in the San Diego region will have with the opening of this new home. Therefore, I am opposed to the proposed decrease in funding for State Homes and urge the Budget Committee to provide adequate funding for this

CRITICAL PROGRAM.

I am also pleased that this Administration has recognized what Members of Congress have known for years. Additional personnel are needed if the VA is to promptly and accurately adjudicate claims for compensation and pension benefits. This budget will help to provide a well-trained corps of adjudicators to replace those who are nearing retirement age. I want to emphasize that the continued loss of experienced adjudicators over the past 7 years together with an increased workload in the number of issues which must be decided in each claim have led to serious problems of quality and timeliness. The increased staffing in this budget is essential to stem the tide of deterioration in claims processing.

As a former college professor, I recognize the value of a quality education for our nation's veterans. I am disappointed that no increase for the G.I. Bill is provided in the Administration's budget. The G.I. Bill currently provides far less than is needed to obtain an education at a public institution, and I support raising the basic education benefit. Just yesterday, I joined with The Partnership for Veterans' Education (a coalition representing a number of associations advocating on behalf of veterans) in calling, as a first step, for an increase in the basic monthly stipend from $535 to $975 a month.

The Administration's budget proposal recommends paying full disability benefits to Filipino World War II veterans who reside in the United States. Currently, these brave veterans who were drafted into service by President Roosevelt receive only 1/2 of the amount received by their

counterparts—U.S. veterans with whom they fought side by side to defeat our mutual enemy. I support this increase as an important step toward equity for Filipino World War II veterans.

However, more is needed. Because Congress, in 1946, rescinded the health care benefits for most of these veterans, Congressman Gilman and I have introduced legislation, H.R. 1594, to provide access to VA medical facilities—both in the United States and in the Philippines—for Filipino World War II veterans. Health care is a crucial need for these men who are now in their 70's and 80's! $30 million is all that is required to provide health care access to Filipino veterans, with the same priority status as veterans currently using the VA. I request that this amount be added to the Fiscal Year 2001 budget.

As we honor our veterans during their lives, so must we honor their remembrance in death. The Administration's increase in funding for the National Cemetery System will improve the appearance of our cemeteries by a long-overdue and much needed renovation of grounds, gravesites, and grave-markers. I urge the Budget Committee to fund the National Cemetery Administration and the State Cemetery Grants at the levels recommended by the Committee.

Again, may I say that the proposal before you represents a fine better starting point. I hope that my suggestions will be useful as the Members of this Committee work toward a budget that gives our nation's veterans a fair deal.

[The information (Executive Summary of the Independent Budget) follows:]

Prologue

This is the 14th *Independent Budget* developed by four major veterans services organizations: AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars of the United States. This document is the collaborative effort of a united veteran advocacy community that presents an analysis of budgetary information on programs administered by the Department of Veterans Affairs (VA) and related recommendations.

We urge the Administration and Congress to end the cycle of budget shortfalls at VA and begin the new millennium by making a firm, long-term commitment to meeting veterans' needs. Sick and disabled veterans should not have to live day to day wondering whether the benefits and health care they depend on will be there when they need them. These men and women deserve to be treated with honor and respect, in accordance with the service they gave. They should not be treated like line items in a budget. They should not be made to wait for the benefits they earned by risking their lives. And, as this document makes clear, their needs are not going away; rather, as our veterans age, their needs are increasing.

America owes its freedom to its veterans. It is time to acknowledge the sacrifices they made and to honor our commitment to them. They answered their call to service long ago; now we must answer back by ensuring them a secure and stable future.

Charles L. Taylor
National Commander
AMVETS

Michael E. Dobmeier
National Commander
Disabled American Veterans

Homer S. Townsend, Jr.
National President
Paralyzed Veterans of America

Commander-in-Chief
Veterans of Foreign Wars
of the United States

ACKNOWLEDGEMENTS

We would like to thank the staff from the four *Independent Budget* veterans service organizations, especially Jim Jewell, VFW, and Richard Wannemacher, DAV, and Steering Committee members Joe Violante, DAV (FY 2001 Chair), Peter Gaytan, AMVETS, John Carswell, PVA, and Fred Juarbe, VFW, for their insightful guidance on and review of the document. We would like to especially thank Tony Baskerville, DVA, Diane Prescott, PVA, Rick Surratt, DAV, and Jo Ann Webb, PVA, for their writing contributions; William A. Baughman, PVA, for his analytical support; Patricia Scully, PVA, for her editorial assistance; Sue England, PVA, for her graphic design; and Lien Au, PVA, and Carol Baird, PVA, for their administrative support. Thanks to Diane Prescott and Jo Ann Webb for managing the overall production of the document. We would also like to thank the many others from the veterans community who contributed to the development of this document.

Guiding Principles

- Veterans must not have to wait for benefits to which they are entitled.
- Veterans must be ensured access to high-quality medical care.
- Specialized care must remain the focus of the Department of Veterans Affairs (VA) medical-care system.
- Veterans must be guaranteed access to the full continuum of health-care services.
- New benefits and expansions of existing entitlements must be exempt from the pay-go provisions in the Budget Enforcement Act.
- Veterans must be assured burial in state or national cemeteries in every state.
- VA's mission to support the military medical system in time of war or national emergency is essential to the Nation's security.
- VA's mission to conduct medical and prosthetics research in areas of veterans' special needs is critical to the integrity of the veterans health-care system and to the advancement of American medicine.
- VA's mission to support health professional education is vital to the health of all Americans.

FY 2001 INDEPENDENT BUDGET ENDORSERS

Administrators of Internal Medicine*

Alliance for Aging Research

Alzheimer's Association*

American Association of Dental Schools

American Association of Spinal Cord Injury Nurses

American Association of Spinal Cord Injury Psychologists and Social Workers

American College of Foot and Ankle Surgeons*

American Ex-Prisoners of War

American Federation of Government Employees, National Veterans Affairs Council*

American Geriatrics Society

American Gold Star Mothers, Inc.

American Liver Foundation*

American Lung Association*

American Military Retirees Association*

American Optometric Association

American Paraplegia Society

American Physiological Society

American Podiatric Medical Association

American Psychiatric Association

American Society of Nephrology

American Thoracic Society*

American Veterans Committee*

Association for Assessment and Accreditation of Laboratory Animal Care International

Association of American Medical Colleges

Association of Professors of Medicine

Association of Program Directors in Internal Medicine

Association of Schools of Public Health

Association of Subspecialty Professors

Blinded Veterans Association

Catholic War Veterans, USA, Inc.

Clerkship Directors in Internal Medicine*

Coalition for American Trauma Care*

Diabetes Action Research and Education Foundation

Disabled Sports USA

The Gerontological Society of America*

Jewish War Veterans of the USA

Legion of Valor of the USA, Inc.

Mankind Research Foundation

Marine Corps League, Inc.

Medical Device Manufacturers Association*

The Military Justice Clinic, Inc.

Military Order of the Purple Heart of the USA, Inc.

National Alliance for the Mentally Ill

National Amputation Foundation, Inc.

National Association for the Advancement of Orthotics and Prosthetics*

National Association of Veterans' Research and Education Foundations

National Coalition for Homeless Veterans

National Consumers League

National Gulf War Resource Center

National Hispanic Council on Aging

National Mental Health Association

National Organization for Rare Disorders

New England Shelter for Homeless Veterans*

Nurses Organization of Veterans Affairs

Research! America

Reserve Officers Association of the United States

Society for Neuroscience

Veterans Affairs Physician Assistant Association*

Veterans of the Vietnam War, Inc.

Vietnam Era Veterans Association

Vietnam Veterans of America

*New Endorsers

Summary of Recommendations

For the 14th year, four veterans service organizations—AMVETS, Disabled American Veterans, Paralyzed Veterans of America, and Veterans of Foreign Wars—along with more than 60 endorsers, have joined together to present budget and policy recommendations for the Department of Veterans Affairs (VA).

By passing a $1.7 billion increase to the fiscal year 2000 VA medical care budget, Congress and the Administration attempted to ameliorate the devastating effects that the consecutive years of budget shortfalls have had on the VA health system. They heeded the testimony by veterans and their advocates about understaffed hospitals serving increasing numbers of veterans, long waits for appointments, and reductions or cuts in vital services as a result of funding shortages. They showed an appreciation for VHA's core missions of providing specialized services to veterans, training health professionals, and conducting medical research that contributes to advancements in medical treatments that benefit all Americans. We thank Congress for this funding increase, which will help VA support these activities and remain a competitive, high quality health care system. This was a good first step in restoring budget equity to veterans' health care.

However, the *Independent Budget* veterans service organizations (IBVSOs) recognize—and so must Congress and the Administration—the many challenges that lie ahead for VA. For example, the costs of providing high quality medical care continue to rise, and demand for VA services continues to increase. VA cannot reasonably be expected to continue to do more with less. As the veteran population ages, veterans require more nursing home care and other long-term care services. New and expensive medical technology and pharmaceuticals continue to come on the market, contributing to increased medical costs. In fact, VA pharmaceutical expenditures have almost doubled since 1990, representing 11% of the total VA health-care budget. Projections for FY 2000 point to an increase of 20 to 22% over 1998 costs.

The IBVSOs applaud Congress and the Administration for the passage of the Veterans Millennium Health Care and Benefits Act, Public Law 106-117, which will improve veterans' access to emergency care as well as to the full continuum of long-term care services for many veterans. This legislation makes great strides towards achieving many of our long-standing objectives. By making long-term care a recognized priority, VA will better meet the needs of its growing population of older veterans, as well as veterans with chronic disabilities of any age, and will heighten its reputation as a leader in geriatric medicine.

Congress and the Administration must now ensure that VA has adequate funding to carry out the mandates of this new law. Without adequate funding to implement the legislation, the availability and quality of other critical VA medical services will suffer.

The IBVSOs recommend that VA medical care is funded at the level of $20.766 billion for FY 2001—$2 billion higher than the FY 2000 appropriation—to offset the higher costs of medical care caused by consumer inflation, medical care inflation, wage increases, and new legislation. Of this $2 billion increase, approximately $1 billion is directed towards implementing the long-term care and emergency care provisions of the Veterans Millennium Health Care and Benefits

Act, as well as towards treatment of hepatitis C. An estimated $459 million is needed to implement the new long-term care initiatives, $270 million for emergency care, and $240 million for the care of patients with hepatitis C.

To cover the broad range of needs veterans have as a consequence of their military service, Congress has established an assortment of benefit programs. To effectively fulfill their intended purposes, veterans' benefits must be delivered correctly and in a timely manner. To meet these requirements and accomplish its mission, the VA Veterans Benefits Administration (VBA) must have sufficient resources, proper management, well-designed work processes, effective quality control and accountability, and dedicated, competent, and well-trained employees.

However, Congress should not only provide VA with adequate resources, it should carefully oversee the use of those resources to ensure they are used most appropriately to accomplish the agency mission and to determine VA's true resource needs.

The attention and commitment afforded veterans in the 106th Congress must be carried forth into future budgets. Veterans and their health care and benefits systems need stability, continuity, and assurance that the government will provide the services they earned in service to our nation.

The medical care budget recommendations in this report are based on national health-care estimates from the Veterans Health Administration (VHA) and nongovernment utilization data. The IBVSOs have used historical funding trends of VA programs to project FY 2001 budget needs, incorporating population demographics and policy directives. The table that follows, Department of Veterans Affairs Budget Summary, Discretional Programs Funding, includes budget recommendations for all VA program areas.

Department of Veterans Affairs Budget Summary
Discretionary Programs Funding
(Dollars in Thousands)

	FY 2000 Appropriation	FY 2001 IB Recommended Appropriation
Veterans Health Administration		
Medical Care	$18,926,000	$20,766,000[1]
Medical and Prosthetic Research	$321,000	$386,000
MAMOE	$60,000	$71,000
Subtotal, Veterans Health Administration	$19,307,000	$21,223,000
Veterans Benefits Administration		
Education Loan Program Account	$1	$1
Vocational Rehabilitation Program Account	$57	$57
Subtotal, Veterans Benefits Administration	$58	$58
Departmental Administration		
Veterans Benefits Administration (VBA)	$706,000	$779,000
General Administration	$206,000	$ 207,000
General Operating Expenses Subtotal (GOE)	$913,000	$986,000
Veterans Housing Benefit Program Fund Program Account	$157,000	$162,000
Native American Veterans Housing Loan Program Account	$520	$530
Education Loan Program Account	$214	$230
Vocational Rehabilitation Program Account	$415	$420
Total, Veterans Benefits Administration	$864,000	$942,000
Miscellaneous Administration (Credit Reform)		
Veterans Housing Benefit Program Fund Program Account	$5,000	$5,000
Native American Veterans Housing Loan Program Account	$17	$17
Subtotal, Miscellaneous Administration (Credit Reform)	$5,017	$5,017
National Cemetery Administration	$97,000	$115,000
Office of the Inspector General	$43,000	$48,000
Subtotal, Departmental Administration and Miscellaneous Programs	$1,053,000	$1,149,000
Construction Programs		
Construction, Major Projects	$65,000	$176,000
Construction, Minor Projects	$160,000	$191,000
Grants for Construction of State Extended Care Facilities	$90,000	$84,000
Grants for Construction of State Veterans Cemeteries	$25,000	$19,000
Total, Construction Programs	$340,000	$470,000
Total, Discretionary Programs	$20,863,000	$23,010,000

[1]Medical care is not offset by MCCF in the IB recommended appropriation for FY 2001.

Key Independent Budget *Recommendations*

Below is a list of key recommendations followed by detailed recommendations to Congress and the Administration, the Department of Veterans Affairs, the Department of Defense and the Department of Labor:

1. **Congress and the Administration must provide VA with a medical care budget of $20.766 billion in FY 2001**—which is $2 billion higher than the FY 2000 appropriation. Included in this amount are:
    - approximately $1 billion to cover the higher costs of medical care caused by consumer inflation, medical care inflation, wage increases, and;
    - approximately $1 billion, including:
        - $459 million to pay for new long-term care initiatives;
        - $270 million to cover the costs of expanded emergency care; and
        - $240 million for the treatment of veterans with hepatitis C.

2. **Congress and the Administration must stop the practice of using collections from veterans and their insurers to offset VA medical care appropriations.** It is the responsibility of the federal government to fully fund veterans' health care through adequate appropriations.

3. **Congress and the Administration must enact legislation to grant VA the authority to contract out its medical care collections.** VA must improve its cost accounting and billing systems to ensure efficient and effective medical care cost recoveries.

4. **VHA must put an immediate end to the practice of billing veterans' insurers for conditions related to service-connected disabilities.** If VHA continues to inappropriately bill third-party payers for conditions related to service-connected disabilities, Congress must require VBA to rate veterans as secondarily service-connected for all conditions associated with their original service-connected disability Medical care for veterans who risked their lives and sacrificed to defend our nation is the responsibility of the federal government—not veterans' private insurers. Treatment for service-connected disabilities must be financed through adequate appropriations.

5. **Congress and the Administration must provide adequate funding for long-term care.** Congress and the Administration must ensure that VA has adequate funding to carry out the mandates of the Veterans Millennium Health Care and Benefits Act, Public Law 106-117. Without adequate funding to implement the legislation, the availability and quality of other critical VA medical services will suffer.

6. **Congress and the Administration must provide adequate funding to provide high quality services for veterans with specialized needs, such as spinal cord injury, blindness, and serious mental illness.** Specialized services in VHA are deteriorating as VHA administrators, faced with budget shortfalls, reorganize and cut staff and high-cost services. These services are the hallmark of VA and must be preserved to ensure the integrity of the VA health system.

7. **VHA must restructure its capital assets to ensure the delivery of high quality and timely care to all enrolled veterans while maintaining its legislatively mandated missions.** Congress and VA must establish an objective and systematic capital assets management system that includes the input of veteran representatives. The nation's investments in VA were made to provide for veterans; Congress must ensure that all funds realized from the divestiture of capital assets be reinvested in veterans' programs.

8. **Congress and the Administration must provide VA with medical and prosthetic research budget of $386.1 million.** Additional funding is necessary to ensure that VA is able to support and maintain its nationally recognized research programs as well as implement new research oversight initiatives and conduct high-priority research on diseases such as hepatitis C and diabetes.

9. **Congress and the Administration must enact legislation to correct the judicial misinterpretation of the meaning of "well-grounded" claim.** The erroneous meaning given by the courts has fundamentally changed the VA claims process in ways that markedly increase its complexity for both veteran claimants and VA adjudicators. The ruling unnecessarily burdens veteran claimants in ways

never intended by Congress and decreases the efficiency of VA's claims adjudication system.

10. **Congress and the Administration must provide a budget of $115 million for the National Cemetery Administration.** This would provide for the addition of 80 full-time employees and necessary supplies and equipment for grounds maintenance and programs operations. Adequate funding is essential to allow VA to keep pace with demands that will arise from the opening of new national cemeteries and the dramatic increase in interment rates that is expected to occur over the next decade.

While these are our broad recommendations, the more detailed and comprehensive recommendations that follow are equally vital to the provision of high-quality services to veterans.

Recommendations to the Administration and Congress

BENEFIT PROGRAMS
COMPENSATION AND PENSIONS

Compensation

Enact a COLA for all compensation benefits sufficient to offset the rise in the cost of living.

Enact legislation to repeal the inequitable requirement that veterans' military retired pay based on longevity be offset by an amount equal to their VA disability compensation.

Enact legislation to remove the requirement that military nondisability separation, severance, or readjustment pay be offset against VA disability compensation.

Categorically reject any proposal to means test compensation or dependency and indemnity compensation (DIC), or proposals even to study the prospects of means testing these benefits.

Amend the law to provide for an exception to the 3-year limitation on amendment of tax returns in the case of erroneous taxation of disability severance pay or in the case of retroactive exemption of more than 3 years and change the law to discontinue the withholding of taxes from disability severance pay.

Enact legislation to include in the statutory presumption for service connection of radiation-related disabilities lung cancer, bone cancer, skin cancer, colon cancer, posterior subcapsular cataracts, nonmalignant thyroid nodular disease, ovarian cancer, parathyroid adenoma, tumors of the brain and central nervous system, and rectal cancer.

Establish a presumption of service connection for amyotrophic lateral sclerosis (ALS) affecting Persian Gulf War veterans.

Repeal the prohibition on service connection for smoking-related disabilities.

Enact a presumption of service connection for combat veterans and veterans that had military duties typically involving high levels of noise exposure who suffer from tinnitus or hearing loss of a type typically related to noise exposure or acoustic trauma, to apply when the record does not affirmatively prove such condition or conditions are unrelated to service.

Amend the law to authorize increased compensation on the basis of a temporary total rating for hospitalization or convalescence to be effective, for payment purposes, on the date of admission to the hospital or the date of treatment, surgery, or other circumstances necessitating convalescence.

Reject suggestions that Congress direct economic validation studies to intrude on the discretion exercised by the Secretary of Veterans Affairs in adopting or revising the *Schedule for Rating Disabilities*.

Burial Benefits

Amend 38 U.S.C. § 2306 to reinstate former subsection (d) which provided for reimbursement of the cost of acquiring a headstone or marker privately, in lieu of furnishing a Government headstone or marker.

Miscellaneous Assistance
Amend the Equal Access to Justice Act to permit payment of EAJA fees to unsupervised nonattorneys who represent appellants before the Court of Appeals for Veterans Claims.

READJUSTMENT BENEFITS

Montgomery GI Bill
Change the law to permit refund of an individual's MGIB contributions when his or her discharge was characterized as "general" or "under honorable conditions" because of minor infractions or inefficiency.

Increase the Montgomery GI Bill allowance to an amount at least equal to the average cost of pursuing a college education.

Survivors' and Dependents' Educational Assistance
For this year, provide an increase in the educational allowance under Survivors' and Dependents' Educational Assistance program and change the law to provide for automatic annual adjustments in the future.

Amend 38 U.S.C. § 5113 to include provisions for an award of Dependents' and Survivors' Educational Assistance to be effective the date of permanent and total disability or date of service-connected death from which eligibility derives if the claim for educational benefits is filed within 1 year of the date of notification of the decision establishing the permanent and total rating or service connection for cause of death.

Vocational Rehabilitation
Extend the authority for unpaid work experience to private sector and not-for-profit sector employers who are willing to develop such unpaid work experience opportunities consistent with the veteran's training program.

Housing Grants
Increase the specially adapted housing grants and provide for future automatic annual adjustments indexed to the rise in the cost of living.

Establish a grant to cover the costs of home adaptations for veterans who replace their specially adapted homes with new housing.

Automobile Grants and Adaptive Equipment
Increase the automobile allowance to 80% of the average cost of a new automobile and provide for automatic annual adjustments in the future.

OTHER SUGGESTED BENEFIT IMPROVEMENTS

Accrued Benefits
Enact legislation to remove the 2-year limitation on payment of accrued benefits.

Mentally Incompetent Veterans' Estates
Repeal 38 U.S.C. § 5503(b) to remove the discriminatory estate limit imposed on incompetent veterans.

GENERAL OPERATING EXPENSES

VETERANS BENEFITS ADMINISTRATION

Claims Process
To reestablish the correct meaning and intent of the "well-grounded claim" requirement in 38 U.S.C. § 5107, enact legislation to override the erroneous interpretation and effect given this provision by the courts.

Compensation and Pension Service
Include sufficient funding in VA's appropriations to increase full-time employees (FTE) in Compensation and Pension Service by 380.

Appropriate $10 million to fund installation of electronic claims processing technology in the Veterans Benefits Administration's Service Delivery Network No. 3.

GENERAL ADMINISTRATION

Board of Veterans' Appeals
Absent timely action by VA to amend 38 C.F.R. § 19.5 to remove its unlawful provision exempting BVA from VA manuals, circulars, and other Department directives, intervene to ensure this counterproductive problem is corrected.

U.S. COURT OF APPEALS FOR VETERANS CLAIMS

JUDICIAL REVIEW ISSUES

VA ADMINISTRATIVE PROCEDURES

Exclusive Nature of VA Procedures

Enact legislation to provide that procedures prescribed by title 38, United States Code, and regulations of the secretary of Veterans Affairs in accordance with that title shall be exclusive for purposes of VA and BVA's claims and appellate proceedings to preclude courts from imposing additional procedures upon the VA system.

SCOPE OF REVIEW AND JURISDICTION OF THE COURT

Scope of Review

Amend section 7261 of title 38, United States Code, to provide that the Court will hold unlawful and set aside any finding of material fact which is not reasonably supported by a preponderance of the evidence.

Jurisdiction of the Court

Amend the law to prohibit the Court of Appeals for Veterans Claims from allowing the secretary of Veterans Affairs to determine the issues the Court will decide in connection with a veteran's appeal.

MEDICAL PROGRAMS

MEDICAL CARE

MEDICAL CARE ISSUES

Financing Issues

Base the VA medical care budget on the principle that third-party collections are to supplement—not substitute for—appropriations.

Provide appropriations to fully cover the costs of the full range of medical care, including emergency services, for all enrolled veterans.

Provide adequate funding for information technology that will help VA improve its billing.

Give VA the authority to privatize its medical care cost recovery (MCCR) collection efforts.

If VHA continues to inappropriately bill third-party payers for conditions related to service-connected disabilities, require VBA to rate veterans as secondarily service-connected for all conditions associated with their original service-connected disability.

Pass Medicare subvention legislation that permits veterans the option of choosing VA health care. This legislation must ensure that Medicare subvention dollars are a supplement to an adequate VA appropriation.

Include both fee-for-service and managed care pilots in any Medicare subvention legislation.

Amend the law to allow VA to make outpatient copayments comparable with those in the private sector.

Require VHA to report collection rates for services provided to nonveterans to ensure that the costs of all care provided to anyone other than enrolled veterans are fully covered by collections.

Quality Issues

Provide adequate funds to ensure appropriate levels of staffing at VHA facilities.

Direct the Office of Inspector General or the General Accounting Office to conduct a study of clinical staffing levels at VHA facilities.

Pass legislation requiring VA to report to Congress on the outcomes and effectiveness of internal and external review processes, as well as on patient satisfaction with these processes.

Sufficiently fund medical administration and miscellaneous operations expenses (MAMOE) to ensure that VHA National Headquarters has adequate staffing to carry out centrally directed quality assurance functions.

Continue to carry out comprehensive oversight of VA's quality assurance programs in order to evaluate the scope of and changes to the current effort and the status of compliance with key public laws. If this oversight demonstrates that legislation is necessary to support a quality assurance system for detecting problems and providing remedial action, enact appropriate laws.

Eligibility Reform Issues

Provide VHA with adequate resources to ensure the provision of high-quality care to veterans with specialized needs.

Maintain rigorous oversight over VHA to ensure compliance with Public Law 104-262.

Support enrollment of all veterans who choose to use the VA health-care system.

Appropriate $270 million to ensure VA has adequate resources to pay for emergency services, as mandated by law.

Pass legislation to ensure that all veterans have access to emergency services when and where the need arises.

Specialized Services Issues

Prosthetics and Sensory Aids

Ensure that appropriations are sufficient to meet prosthetics needs so that other programs will not be compromised by funding shortfalls in prosthetics.

Blind Rehabilitation Services

Encourage and fund additional research into alternative models of service delivery to identify more cost-efficient methods of providing essential blind services. Alternative methods of delivering rehabilitative services must be identified, tested, refined, and validated before the existing comprehensive residential blind rehabilitation center (BRC) programs are dismantled.

Spinal Cord Injury Medicine

Appropriate $15 million to provide for 200 additional full-time SCI nurses.

Gulf War Illness

Continue prudent oversight to ensure that both VA and NAS adhere to the time limits imposed upon them so that they effectively and efficiently address the continuing health-care needs of Gulf War veterans.

Reject the recommendation by the Commission on Servicemembers and Veterans Transition Assistance to declare February 28, 1993, as the ending date of the Persian Gulf War because hostilities in the Persian Gulf area continue to place U.S. forces at risk.

Fund intensified medical and scientific research by VA and DOD on ALS.

Pass legislation to provide presumption of service connection for ALS.

Homelessness

Expressly prohibit community providers from denying or delaying services to veterans and specifically address homeless veterans in all legislation designed to assist homeless individuals.

Specifically address veterans in legislation for workforce development or employment.

Fully fund both the grant and per diem aspects of the Homeless Providers Grant and Per Diem Program.

Create a structured means of ensuring collaboration among federally funded efforts, to ensure that more effective services are delivered to veterans. Creation of a White House Veterans Federal Coordinating Committee, co-chaired by the domestic policy advisor and the secretary of Veterans Affairs and reporting directly to the vice president, would be a positive step toward improving collaboration.

Long-Term Care Issues

Monitor VHA to ensure the maintenance of capacity of its in-house extended care staffing and services and to ensure the operation of an extended care program for veterans, as required by law.

Ensure that VHA has adequate funding to fully implement the provisions of PL 106-117.

Pass permanent legislation to allow VA to finance assisted living.

Fund the Geriatric, Research, Education and Clinical Centers (GRECCs) program at a level of $31 million to provide for the establishment of new GRECCs and the continued operation of existing GRECCs.

Finance the VA Special Fellowship in Geriatrics at an appropriate level.

Provide adequate funding for the implementation of VA's minimum data set (MDS) system.

VA MEDICAL AND PROSTHETIC RESEARCH

VA Medical and Prosthetic Research Issues

Appropriate $386 million in FY 2001 for VA medical and prosthetics research.

Provide for the addition of 10 professional staff to VHA's Office of Research and Development for the express purpose of improving the research assurances and oversight programs that have been shown to be disorganized, weak, and ineffective.

Increase funding for NIH's Office of Protection from Research Risks to provide more professional staffing so that the office can carry out its educational, oversight, review, and policy enforcement functions more effectively.

Require VA to establish a Veterans and Citizens Ethical Research Advisory Committee to meet periodically to consider the state of VA R&D and serve as a national sounding board to reinforce for America's veterans and the general public the notion that VA's R&D programs are valid, humane, ethical, and safe. The advisory committee should submit an annual report to Congress with its findings and recommendations.

Direct VHA to sponsor a major national education and training effort for VISN directors, VA medical center directors, chief executive officers, chief operating officers, R&D committee and institutional review board (IRB) members and staff, and individual VA principal investigators, on essential Federal requirements for human-subject protections. VHA should report to Congress its plan for conducting this quality-of-research activity, as well as actions it intends to take to sustain a high-level response to this obvious educational deficit.

Direct VHA to establish staffing and workload standards for R&D committees and IRBs to ensure that they can effectively review, evaluate, manage, and archive the numbers and types of research protocols presented to and managed by these activities. The under secretary should hold VISN directors and medical center directors fully accountable for the proper staffing of R&D committees and IRBs, commensurate with such standards.

Direct NIH to reimburse VHA for 15% of the indirect costs of NIH-sponsored research.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

Provide adequate funding to the MAMOE account to support VHA national headquarters' role of quality management, policy guidance, and information collection, analysis, and dissemination.

Provide VHA headquarters with adequate funds to implement information technology initiatives.

CONSTRUCTION

Ensure that there are adequate funds for the Major Construction and Minor Construction programs so that VHA can correct all urgently needed projects and the system's antiquated infrastructure.

With VA, ensure that all revenue resulting from the divestiture of capital assets is reinvested in veterans' programs.

Increase construction budgets to allow program consolidations, facility realignments, and other changes that are necessary to implement VA's changing national health-care strategy.

Fund the minor construction account at $191 million to ensure needed facility renovations and repairs are completed in a timely manner.

VETERANS EMPLOYMENT AND TRAINING

Amend section 1142(a) of title 10, United States Code, to authorize an extended time frame for providing individual transition services. Services should be offered as soon as one year before the anticipated date of separation or two years before the anticipated date of retirement, but not less than 90 days before the anticipated date of separation or retirement. In the event that notification of separation or retirement occurs less than 90 days before the end of active duty, transition services should begin as soon as possible following notification.

Amend section 7722 of title 38, United States Code, to mandate that the Secretary of Veterans Affairs provide outreach services to members of the Armed Forces as a part of VA's transition program.

Consider various legislative changes to the Montgomery GI Bill to:

- Permit Montgomery GI Bill use for credentialing expenses

- Reduce the penalty for use of the Montgomery GI Bill for tuition assistance during active duty
- Reopen a window of opportunity to servicemembers who opted out of eligibility earlier in their tour of duty
- Lift the 10-year deadline for use of the Montgomery GI Bill benefits

Fund DVOP and LVER programs at the statutorily mandated levels and ensure that sufficient staff is available to provide adequate services to veterans. Short of this goal, at a minimum, sufficient funding should be provided to the DVOP and LVER programs to ensure that they are still national programs, and that a DVOP or LVER position is assigned to each major office from which services are provided to the public. Congress should also enable VETS to use the savings from lag time in hiring staff to support licenses and credential efforts on behalf of servicemembers and to provide performance awards or incentives to states in support of increased performance on behalf of special disabled, disabled veterans, and other eligible persons.

Appropriate the full authorized amount for the Homeless Veterans Reintegration Projects program. This will enable DoL to work with VA and HUD to maximize resources available to help homeless veterans get jobs with a future and provide the full range of services needed by homeless veterans.

Fund NVTI at an adequate level to ensure training is continued to state and federal personnel who provide direct employment and training services to veterans and servicemembers in an ever-changing environment.

Study the feasibility and practicality of alternative means of delivering employment services for veterans such as a competitive bidding process.

The House or Senate Veterans' Affairs Committees should begin the process of reevaluation and reconfiguration of the delivery of employment and training services to veterans.

Enact legislation requiring the President to establish an independent organization, the Veterans' Employment Network, for the purposes of:

- Raising employer awareness of the advantages of hiring separating servicemembers and recently separated veterans.
- Facilitating the employment of separating servicemembers and veterans through America's Career Kit, the national electronic labor exchange.
- Directing and coordinating departmental, state, and local marketing initiatives.

The Veterans' Employment Network should include a Board of Directors consisting of high-level individuals representing constituencies integral to ensuring successful employment of servicemembers and veterans, including, but not be limited to, military services and Joint Chiefs of Staff, major national corporations, national business associations, national labor and trade unions, state public labor exchange administrators, and veteran/military advocates.

NATIONAL CEMETERY ADMINISTRATION

Fund the National Cemetery Administration (NCA) at a level of $115 million to support increased workload and operational requirements plus the addition of 80 full-time employees.

Fund the state cemetery grants program at a level of $19 million and encourage greater state participation on the program.

Increase the plot allowance from $150 to $350 and expand the eligibility for the plot allowance for all veterans who would be eligible for burial in a national cemetery and not just those who served during wartime.

Make funds available to ensure the proper planning and fast-track construction of needed national cemeteries.

Ensure that the NCA is funded to meet not only the expected grounds maintenance and operational expenses of its 115 national cemeteries but that funding includes preventive maintenance, equipment, minor construction, and historic preservation needs.

Provide, within the IBVSO recommended funding level of $115 million, $35 million for the NCA to support a commitment to maintaining a shrine-like environment at all national cemeteries.

Recommendations to the Department of Veterans Affairs

BENEFIT PROGRAMS

COMPENSATION AND PENSIONS

Compensation

Amend 38 C.F.R. § 3.303(d) to expressly include provisions that assure it will be applied to claims for service connection of hepatitis C.

Under the authority delegated in 38 U.S.C. § 1116, establish a presumption of service connection for diabetes mellitus based on herbicide exposure.

Amend the *Schedule for Rating Disabilities* to provide a minimum 10% disability evaluation for any hearing loss for which a hearing aid is medically indicated.

Pensions

Conduct a study to determine if the removal of the presumption of permanent and total disability for pension purposes at age 65 results in savings or whether costs of VA examinations and record development outweigh potential savings.

GENERAL OPERATING EXPENSES

VETERANS BENEFITS ADMINISTRATION

VBA Management

To make the management structure in the Veterans Benefits Administration more effective for purposes of enforcing program standards and accountability for quality, VA's under secretary for benefits should give VBA's program directors line authority over VA field office directors.

GENERAL ADMINISTRATION

Board of Veterans' Appeals

Amend 38 C.F.R. § 19.5 to remove its unlawful provision exempting BVA from VA manuals, circulars, and other Department directives.

Office of General Counsel

The secretary of Veterans Affairs and the under secretaries should collaborate to establish a protocol for a consultation process to be followed by OGC attorneys, subject matter experts, and program directors to ensure the official agency position is presented to courts in litigation and to ensure that rulemaking does not impulsively incorporate litigating positions fabricated by OGC staff attorneys who have little or no institutional knowledge or understanding of the historical background of VA rules and policies. The general counsel should require staff attorneys to accurately and fully inform the Court of Appeals for Veterans Claims of the bases, content, and interpretation of agency policy and rules pertinent to the issues in a case, regardless of whether it comports with the goal of winning in a given case before the Court.

MEDICAL PROGRAMS

MEDICAL CARE

MEDICAL CARE ISSUES

Financing Issues

Invest in information technology and training and education of staff to maximize collection efforts.

Ensure that veterans are given preference over nonveterans in all treatment settings.

Improve VHA's financial accounting systems to track its revenues and expenses more effectively.

Quality Issues

Staff VHA facilities with adequate numbers of trained clinicians to meet the workload demand and deliver care that is appropriate for its unique veteran populations.

Track outcomes and monitor care to ensure the provision of high-quality services.

Develop mechanisms to ensure the most efficient distribution of clinical staff in VA facilities.

Ensure that VHA's pay scales are competitive with those in the private sector to attract and retain clinicians.

Develop mechanisms to increase the amount of patient contact hours per shift by reducing or eliminating unnecessary paperwork, logistical errands, and patient transport.

Track and tabulate the number of patient interaction hours as a means of ensuring high quality.

Develop internal and external review processes for clinical decisions. The VA appeals process must include a mechanism for expedited review of urgent care.

Educate veterans about the internal and external review processes for clinical decisions.

Require patient advocates to inform veterans about representatives from veterans service organizations who can serve as their advocates.

Reduce waiting times and eliminate other barriers to access to services.

Ensure that veterans are not forced to go through multiple gatekeepers to receive the services they need.

Eligibility Reform Issues

Improve VHA's information systems to accurately track the collection and management of data on specialized service capacity.

Require VISNs to submit written proposals regarding the consolidation or closure of programs for veterans. Proposals must address how the VISN will shift resources to ensure that specialized service capacity is not compromised.

Involve veterans service organizations in the promulgation of regulations and procedures for emergency coverage.

Specialized Services Issues

Prosthetics and Sensory Aids

Nationally centralize and protect all funding for prosthetics and sensory aids.

Allow clinicians to prescribe prosthetic devices and sensory aids on the basis of patient need, not cost.

Require VISN directors to ensure that prosthetics and sensory aids departments are fully staffed by qualified and trained prosthetic directors and teams.

Require VISN directors to ensure that sufficient training funds are reserved for sponsoring prosthetics training conferences for appropriate technical and clinical personnel.

Require all VISNs to adopt consistent operational parameters for reorganizing prosthetics services.

Serious Mental Illness, Posttraumatic Stress Disorder, and Addictive Disorders

Maintain sufficient capacity both in inpatient and outpatient settings for veterans with SMI, PTSD, and addictive disorders, as mandated by Public Law 104-262.

Reinvest the money saved from eliminating inpatient and long-term care beds into other care options for veterans with SMI, PTSD, and addictive disorders.

Implement a tracking system to assess the effects of discharging veterans with SMI, PTSD, and addictive disorders from inpatient and long-term care beds into the community.

Provide more thorough case management and long-term follow-up for veterans with SMI, PTSD, and addictive disorders.

Establish annual goals to ensure that unemployed veterans with SMI, PTSD, and addictive disorders be assessed and referred for work-based rehabilitation.

Direct networks to encourage consumer involvement in mental health care and to establish mental health consumer councils.

Require VISNs to submit written proposals regarding the consolidation or closure of programs for veterans with SMI, PTSD, and addictive disorders. Proposals must address how the VISNs will provide alternative services.

Women Veterans

VISN directors must inform VHA headquarters of any reduction or elimination in services for women veterans.

Require community-based outpatient clinics (CBOCs) that serve women veterans to have at least one female provider on staff.

Ensure that the integrity of the Women Veterans Coordinator program is maintained.

Provide gender-appropriate treatment and facilities in VA medical Centers.

Ensure outreach and access to services for homeless women veterans.

Educate women veterans about the availability of sexual trauma counseling and treatment through outreach activities such as public service announcements.

Blind Rehabilitation Services

Undertake aggressive oversight by VHA Headquarters to ensure appropriate staffing levels for blind rehabilitation specialists.

Increase the number of Blind Rehabilitation Outpatient Specialist (BROS) positions.

Restore the bed capacity in the Blind Rehabilitation Centers (BRCs) to the level that existed at the time of the passage of Public Law 104-262. The pressure from network and/or local managers to artificially reduce the length of stay in BRCs must be relaxed. Length of stay must be driven by veterans' needs, not cost.

Expand VHA's capacity to provide computer access evaluation and training. Establish an intermediate reimbursement rate under VERA to eliminate the existing disincentive to local VA facilities when appropriate. The provision of local services is much more cost-efficient for the VA system and more convenient for the veteran.

Ensure that concurrence is obtained from the director of the Blind Rehabilitation Service (BRS) in VA Headquarters before a local VA facility selects and appoints key BRC management officials, full time Visual Impairment Services Team (VIST) coordinators, and BROS. When disputes over such selections cannot be resolved between the BRS director and facility and/or network management, the under secretary for health must resolve them.

Encourage and fund additional research into alternative models of service delivery to identify more cost-efficient methods of providing essential blind services. Alternative methods of delivering rehabilitative services must be identified, tested, refined, and validated before the existing comprehensive residential BRC programs are dismantled.

Spinal Cord Injury Medicine

Maintain operational bed capacity as required by Public Law 104-262.

Staff SCI centers according to SCI nurse staffing guidelines set forth in VHA Directive 99-017 on April 22, 1999.

Develop initiatives to recruit and retain SCI nurses, including comprehensive training programs for new staff.

Add 200 full-time SCI nurses nationwide to its SCI program.

Community-Based Outpatient Clinics (CBOCs)

Ensure that CBOCs are staffed by clinically appropriate health providers who can meet the special health-care needs of veterans wherever the specialized services workload justifies specialized resources.

Develop clinically specified referral protocols to guide patient management in cases where patients' conditions call for expertise or equipment not available in the clinic.

Gulf War Illness

Continue to foster and maintain a close working relationship with the National Academy of Sciences in the effort to ascertain what toxin exposures Gulf War veterans received and what illnesses may be associated with such exposure.

With the Department of Defense (DOD), conduct intensified medical and scientific research on ALS.

With DOD, ensure that physicians and other health-care professionals understand the health issues pertaining to Gulf War veterans.

With DOD, implement a uniform system of examining and treating symptoms, complaints, and diagnosed illnesses associated with and common to Gulf War veterans.

Homelessness

Fully fund both the grant and per diem aspects of the Homeless Providers Grant and Per Diem Program.

Conduct program evaluations to measure the effectiveness of various homeless initiatives.

Long-Term Care Issues

Involve veterans and veterans service organizations in decisions about the implementation of Public Law 106-117, including how to measure the baseline capacity of in-house extended care staffing and services at the FY 1998 level.

Ensure that nursing home stays are long enough to meet veterans' health needs and to allow for planning for veterans' long-term placement in the appropriate care setting.

Require discharge planners to work with the patient and family to develop a care plan prior to placement in a nursing home. This plan should include a functional assessment to determine if nursing home placement is appropriate. All alternatives to nursing home care, including home care and assisted living, should be considered.

Aggressively pursue development of assisted living capacity within VA and through private sector partnerships.

Use minor construction funds to convert existing buildings to assisted living facilities.

Use VA's enhanced-use leasing authority to create assisted living capacity to care for veterans and their spouses.

Allocate the administrative support to implement an effective minimum data set (MDS) gathering and monitoring system.

Use the MDS data to ensure oversight of VA and VA-supported nursing homes.

Administrative Issues

Revise and expand the national formulary.

Implement a true national formulary based on clinical needs.

Ensure that each VISN and VA medical center fully complies with the national formulary policies regarding formulary and off-formulary items.

Effectively communicate to physicians and veterans that they have access to off-formulary medicines and supplies.

At VHA facilities, designate a staff person with volunteer staff experience to be responsible for recruiting volunteers, developing volunteer assignments, and maintaining a program that formally recognizes volunteers for their contributions.

Develop volunteer activities in outpatient settings and encourage local volunteers to participate.

Factor VAVS volunteer support into the planning and activation of each CBOC.

Include VAVS volunteer productivity data in VHA facility productivity measurement systems and facility management performance standards to create incentives for facilities and managers to use VAVS volunteers.

Include a plan of action for the use of volunteer support in any documentation of the approval package for CBOCs that VISN directors forward to the under secretary for health.

VA MEDICAL AND PROSTHETIC RESEARCH

VA Medical and Prosthetic Research Issues

Make research support costs a permanent part of the VERA allocation methodology.

Hire a chief of staff for the National Ethics Centers and require all IRBs to include participation by an ethicist.

Work with university affiliates to negotiate indirect cost reimbursements from NIH that can be passed along to support joint VHA-university research.

Analyze the issue of lack of research time for physician-investigators and report on steps being taken to ensure the appropriate balance between research and clinical time.

MEDICAL ADMINISTRATION AND MISCELLANEOUS OPERATING EXPENSES

Maintain hands-on oversight by national headquarters to protect and fulfill congressional mandates to monitor and maintain the capacity of specialized programs.

Enhance efforts by headquarters to establish performance measures, as well as standards for timely access, quality, and cost-effectiveness.

CONSTRUCTION

Restructure VA's capital assets to ensure the delivery of high quality and timely care to all enrolled veterans while maintaining its legislatively mandated missions.

With stakeholder involvement, develop a systematic approach to the development of all factual information to support the capital assets process.

Begin capital assets restructuring with facilities that are not currently used for health-care delivery.

With Congress, ensure that all revenue resulting from the divestiture of capital assets is reinvested in veterans' programs.

Give network directors the authority and flexibility to alter their construction projects based on changing operational needs without fear of losing already approved construction dollars. Network directors should annually update their construction plans to accommodate changes in medical missions, and the needs of the veteran population in their service areas.

VHA National Headquarters staff should review, coordinate, and approve all VISN construction plans. Plans for changes in service delivery must include the involvement of veteran stakeholders in all phases of the decision-making process.

VETERANS EMPLOYMENT AND TRAINING

Implement pilot programs to reward states, and individual employees, that are most effective in assisting veterans, particularly those with barriers to employment, find work.

Work with DOL and HUD to maximize resources available to help homeless veterans get jobs with a future and provide the full range of services needed by homeless veterans.

Develop meaningful performance standards for states compliance with VETS and reward states that exceed the standards by providing additional funding.

NATIONAL CEMETERY ADMINISTRATION

Find ways to effectively market the state cemetery grants program.

Establish a strategic plan to address the time period 2003-2008 during which the system should experience the greatest demand for burial space.

Recommendations to the Department of Defense

MEDICAL PROGRAMS

MEDICAL CARE

MEDICAL CARE ISSUES

Specialized Services Issues

Gulf War Illness

With VA, conduct intensified medical and scientific research on ALS.

With VHA, ensure that physicians and other health-care professionals understand the health issues pertaining to Gulf War veterans.

With VHA, implement a uniform system of examining and treating symptoms, complaints, and diagnosed illnesses associated with and common to Gulf War veterans.

VETERANS EMPLOYMENT AND TRAINING

Make preseparation counseling optional for members being separated prior to completion of their fist 180 days of active duty, unless separation is due to a service-connected disability.

Provide an Internet-accessible automated, interactive transition assistance platform aboard ships, as well as in remote and isolated duty areas.

Assist in:

- Dissemination of information;
- Providing for the involvement of certifying organizations;
- Coordinating efforts among federal agencies and private industry;
- Development of a proactive position and policy by DOD; and
- Involvement of the National Skill Standards Board as a resource.

Recommendations to the Department of Labor

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VETERANS EMPLOYMENT AND TRAINING

Work with VA and HUD to maximize resources available to help homeless veterans get jobs with a future and provide the full range of services needed by homeless veterans.

STATEMENT OF THE HON. BOB FILNER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CALIFORNIA

Mr. FILNER. Mr. Chairman, I am here to talk about veterans' problems. I am the ranking member of the Subcommittee on Benefits of the House Veterans Affairs Committee.

I hope this committee will do what it can to make up for years of basically flatline budgets, real cost reductions, in our veterans programs that came out of the necessity of a balanced budget. Our veterans have paid a heavy price. They have paid their share of the price for a balanced budget.

I think now that we have surpluses, it is time to renew our commitment to the contract that we have made with our veterans and begin to restore the health care and the other benefits that were promised and have been neglected.

The Independent Budget, Mr. Chairman, is a document put together by virtually every veterans service organization that exists in America, primarily four major organizations, the AmVets, Disabled American Veterans, the VFW, and the Paralyzed Veterans of America, and supported by 200 or 300 other organizations. It is their consensus. It is a very analytical, responsible document.

It says that we need this year $2.23 billion more than last year to just keep up with the veterans programs that we have promised, and to make some gain in some areas, which I will mention in a minute. It is not just saying, give us more money. They outline in a very precise form what programs should be funded and what areas are necessary.

I will give a few examples in the time I have here, Mr. Chairman. We have just celebrated the 9th year of the Gulf war. We have tens of thousands, maybe more, in the hundreds of thousands, of veterans who have Persian Gulf war illness. We do not have a cure or a treatment.

That is unacceptable for American veterans, that we cannot tell these veterans what is wrong with them or how to treat it. We should be putting the money in our budget for research into Persian Gulf war illness. We have not done it in the President's recommendations or the recommendations that have previously come out of the Veterans Affairs Committee.

We have a new strain of Hepatitis C that has now become prevalent in our veterans. It is fatal. It is relatively new in our terms of understanding. We do not have sufficient funds, again, to research the treatment for Hepatitis C. It is hurting or potentially killing tens of thousands of our veterans.

Our G.I. Bill for education benefits is not only a benefit for veterans, it could be a huge recruiting tool at a time when we are not meeting our recruitment goals. Yet, we are paying, for those who take advantage of the G.I. Bill for Education, $500 roughly a month as a stipend. It is far below what people get in AmeriCorps or various other programs that we have. It does not come near to half or a quarter of what is needed to go to college.

There is legislation in the Congress to provide both for full tuition and for a doubling of the stipend. We believe in the Veterans Affairs Committee that we should take the first step and move the monthly stipend from $535 to $975 a month. That is just a first step. But we think we can do that this year within the budget. I hope you will look kindly on that. Again, that was not included in the President's budget when it came to us.

I would just ask the committee to look through this, in health care, in benefits, in the care of our national cemeteries, in the government G.I. Bill. I will just end with this, Mr. Chairman. Veterans go into the VA hospitals and wait not only hours for the appointment that they have that day, but may have to wait 6 or 8 or 12 months for a specialty appointment.

That is just not giving our veterans the quality care they need. When they submit a claim for disability or other claim, they may

wait 2 years or more for the adjudication of that claim. That is unacceptable. This document gives us a way to begin to lower those waiting times to very reasonable times, and give our veterans the quality of both health care they need and the attention to their benefit claims that they deserve.

One last item, Mr. Chairman. This committee has the power to remedy an injustice that has been with this country for more than 50 years. President Roosevelt in World War II drafted Filipinos into the Armed Services of America. They were then a territory of the United States. The Congress of 1946 took away the benefits that were promised as veterans to those who fought in that War.

It is 54 years later, and we have not remedied that injustice. The veterans of the Philippines who fought in that war are heroes. They deserve the dignity and respect that we give to those who have given us our freedom. Almost all are in their late 70's, early 80's. They do not have a lot of time left in this world. We should honor them with the respect they deserve.

We have a very doable, fiscally responsible bill in the hopper. Congressman Gilman, the chairman of the Committee on International Relations, and I have a bill, H.R. 1594, which gives health care to the Filipine veterans of World War II. In their 70's and 80's, they need it; they deserve it.

I hope this committee will take a position that is supported by a majority of the Congress, but because of some key opposition the Chair of the VA committee, we have not been able to take this up. So I hope that this committee and this Congress can act on what the majority feels and give that benefit and that recognition that has so long been denied. I thank the Chair.

Mr. CHAMBLISS. Thank you very much for being here and being a strong voice for a group that you are absolutely right about. The fact is that we have allowed the benefits for our veterans to be eroded over probably 50 years, 54 years, since the end of World War II; and I know all of us here and at home, when we go home, and we have a sympathetic ear, but it is a difficult budget issue year in and year out. We appreciate your strong voice and the strong voice of Chairman Bob Stump on behalf of veterans.

Let me just make sure I understand what your request is over the 00 budget.

Mr. FILNER. I am sorry, I should have said that, Mr. Chairman. It is in my formal statement.

The Independent Budget requests just about $2.2 billion above the baseline. The President's request is $1.5 billion. We think that $700 million ought to be made up.

Mr. CHAMBLISS. Is the President's increase directed specifically at health care?

Mr. FILNER. Most of it is in health care. I do not want to underplay, by the way, the administration's budget, because last year they did submit a straight line budget—and the Congress upped that by roughly $1.5 billion. Most of the increase in the FY 2001 budget that the administration has submitted is in health care. It is absolutely needed, and I am glad they did it. But we have a ways to go to even keep up with the needs.

Mr. CHAMBLISS. OK. Thank you. Mr. Bentsen?

Mr. BENTSEN. Thank you, Mr. Chairman.

Mr. Filner, again, I concur with the Chairman, you are to be commended for your efforts on behalf of America's veterans. I also concur with you with respect to Filipino veterans as well in your work on their behalf.

I also would want to speak out, I have a lot of constituents who were in the Merchant Marines during the Second World War, and have not felt that they have received their fair consideration, because even though they were not necessarily on ships, or on military ships, they were often on ships that were in combat. Many gave their lives.

In fact, a couple of years ago in Houston, we unveiled a memorial to members of the Merchant Marine who gave their lives during the Second World War, and would appreciate your committee's consideration with respect to that.

I did want to ask you, with respect to your proposal for a plus-up of the VA budget, I met recently, earlier this week, with representatives from the DAV that were in town. They were saying that they felt that the President's request for the 2001 health care portion of the VA budget needed to be plussed up about $600 million or so.

Mr. FILNER. About $500 to $600 million.

Mr. BENTSEN. In order to keep pace with what they think the demand is?

Mr. FILNER. Both to keep pace and to meet the new needs that arise. The Hepatitis C outbreak is a new area which was not forecast before. The Persian Gulf war illness is there with no real ability to address it. The population continues to age, and we know the costs continue to rise in long-term care.

So it is to keep pace, but it is to also move into the areas that we have just neglected for so long because of these straight line budgets. You could do very well by just taking a look at this summary of the Independent Budget. They have done an incredibly good job on this, and it gives us the specifics and the confidence that this is a very analytical document. I think the Congress ought to adopt basically this budget as our budget.

Mr. BENTSEN. Thank you. Thank you, Mr. Chairman.

Mr. CHAMBLISS. Thanks.

Now we will go on to our friend from Ohio, the Honorable Dennis Kucinich. We are glad to have you with us, Dennis. The floor is yours.

STATEMENT OF THE HON. DENNIS J. KUCINICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. KUCINICH. Thank you very much, Mr. Chairman. I appreciate the opportunity to be in front of the committee and to see Mr. Chambliss there, it is a great pleasure, and Mr. Bentsen.

Mr. CHAMBLISS. The size of the budget crowd has no reflection upon you, Dennis. It has more to do with us being out yesterday.

Mr. KUCINICH. Actually I come from a place where less is more. I want to say also that Mr. Bentsen and I both have something in common here. Our top staffers, who come from the same family, have just had a new baby, so congratulations to them. I just wanted to note that is why John Edgell is not with me at the moment.

Mr. BENTSEN. And we are hoping we can survive the maternity leave.

Mr. KUCINICH. That is true. It is a challenge for both of our offices.

I am here this morning as someone who has had the opportunity to serve in government at every level. I have had a great deal of experience at the local level as a city councilman, clerk of courts, and mayor of the city of Cleveland, and then as a State Senator.

In those capacities, I have had the opportunity to learn about the infrastructure needs of various communities. In particular, as mayor of Cleveland, Cleveland being one of our older industrial cities, I have seen the impact of an aging infrastructure.

I know those are problems common to American urban areas, and even now to some of our older suburban areas. So, Mr. Chairman, Mr. Bentsen, I appreciate this opportunity to present what I think is a long-needed initiative to rebuild America's infrastructure.

Every one of us is aware of the crumbling infrastructure, from deteriorating bridges to dilapidated and inadequate schools to substandard water treatment systems. Although our country is the wealthiest on the Earth, American children face the likelihood of learning math in a closet, bathroom, or gym for lack of adequate classrooms.

Americans often wonder about the quality of their drinking water when they turn on the tap. American businesses have to pay higher transportation costs that eat into their investment capital and drive up prices. The size of the need is staggering.

The American Society of Civil Engineers estimates that over $400 billion is required to repair roads, bridges, and transit. The Environmental Protection Agency and the States estimate that $137 billion is needed over 20 years to repair and provide adequate wastewater treatment systems, and another $120 billion for drinking water systems.

Historical studies of public investment in the public infrastructure show that public investment has fallen to inadequately low levels as a percentage of the gross domestic product. They are still falling. Public investment seems to depress private investment, too. Worse still, business's fixed investment would be higher if public investment were also higher.

Congress, as we know, has a number of programs to meet infrastructure needs. Some, like TEA-21, are large in size, but most infrastructure investment, about 85 percent, comes from State and local governments and reductions in State and local investment have been devastating.

The budget resolution, I respectfully suggest, should include a Federal initiative to provide State and local governments with the funds needed to rebuild schools, bridges, and roads, water treatment and sewer systems, and for new school construction, mass transit systems, and expanding the information superhighway.

The plan to make this happen, based on a model developed by the Jerome Levy Institute, would provide State and local governments with zero interest loans for infrastructure programs over the next 10 years. The principal of the loans would be repaid by the State and local governments in yearly installments, the duration of

which would depend on the type of project. In no case, however, would it exceed 30 years. The cost of the program is the yearly cost of subsidizing the zero interest loans.

In the first year, that cost would be $2.5 billion, and it would grow to a maximum of $15 billion per year after about 6 years, at which time the repayments would keep replenishing the fund.

State and local governments would decide how and whether to use the funds made available by this initiative. Congress would define eligible projects by type. Congress should require that one-fifth of such funds be used for school repair and school construction.

Each State or local government would have access to about $185 per capita per year for 10 years for infrastructure improvements. Over the life of this initiative, State and local governments would have adequate funds available to optimally restore the infrastructure.

For instance, a State like Georgia, for example, would have $13.9 billion made available under this proposal. Texas would have about $35.8 billion available.

This proposal would leverage funds that would otherwise not be allocated for public infrastructure repair. This initiative would lower the cost to State and local governments of infrastructure repair projects, since the Federal Government would be lending funds at zero interest.

Depending on prevailing interest rates, the cost to local and State governments would decrease by half. The projects would be chosen and administered by State and local governments.

One of the benefits that occurs to me, as I have thought about this proposal, is that this could result in keeping down water and sewer rates, which often have to build as the requirement for subsidizing the repayment of bonds for improvements going to those rates.

The cost to the Federal Government is only a fraction of the funds made available by the initiative, so I ask for your consideration of this proposal, and I believe that it is one way to begin to address the tremendous needs for infrastructure improvements in our cities and our States.

I appreciate it, and I certainly welcome any questions.

Mr. CHAMBLISS. Thank you, Dennis.

[The prepared statement of Dennis Kucinich follows:]

PREPARED STATEMENT OF HON. DENNIS J. KUCINICH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

REBUILD AMERICA'S INFRASTRUCTURE INITIATIVE

Mr. Chairman, Ranking Member Spratt, members of the committee. Thank you for this opportunity to present a long needed initiative to rebuild America's infrastructure.

Every one of us is aware of the crumbling infrastructure, from deteriorating bridges and roads, to dilapidated and inadequate schools, to substandard water treatment systems. Though the U.S. is the wealthiest nation on Earth, American children face a likelihood of learning math in a closet or bathroom or gym for lack of adequate classrooms. Americans must often wonder about the quality of their drinking water when they turn on the tap. American businesses must pay higher transportation costs that eat into their investment capital and drive up prices.

The size of the needs is staggering. The American Society of Civil Engineers estimates that over $400 billion are required to repair roads, bridges and transit systems. The Environmental Protection Agency and the states estimate that $137 billion is needed over 20 years to repair and provide adequate wastewater treatment

systems, and another $120 billion for drinking water systems. Historical studies of public investment in the public infrastructure show that investment has fallen to inadequately low levels, as a percentage of Gross Domestic Product. Worse still, falling public investment seems to depress private investment too. Business fixed investment would be higher if public investment were also higher.

Congress has a number of programs to help meet infrastructure needs. Some, like TEA–21, are large in size. But most infrastructure investment (about 85 percent) comes from state and local governments, and reductions in state and local investment have been devastating.

The budget resolution should include a Federal initiative to provide state and local governments with the funds needed to rebuild schools, bridges and roads, water treatment and sewer systems, and for new school construction, mass transit systems and expanding the information superhighway to underserved populations.

The plan, based on a model developed by the Jerome Levy Institute, would provide state and local governments with zero interest loans for infrastructure programs for the next 10 years.

The principal of the loans would be repaid by the state and local governments in yearly installments, the duration of which would depend on the type of project. In no case, however, would it exceed 30 years. The cost of the program is the yearly cost of subsidizing the zero interest loans. In the first year, that cost would be $2.5 billion, and it would grow to a maximum of $15 billion per year after about 6 years.

State and local governments would decide how and whether to use the funds made available by this initiative. Congress would define eligible projects by type. Congress should require that one-fifth of the funds would be used for school repair and school construction.

Each state or local government would have access to about $185 per capita per year for 10 years for infrastructure improvement. Over the life of this initiative, state and local governments would have adequate funds available to optimally restore the infrastructure. For instance, a state like California would have access to $60 billion for infrastructure investment, New York State would have $34.5 billion for infrastructure, Ohio would have $20 billion, South Carolina would have about $7 billion, and Wisconsin would have $9.4 billion.

This proposal will leverage funds that would otherwise not be allocated for public infrastructure repair. This initiative would lower the cost to state and local governments of infrastructure repair projects, since the Federal Government would be lending funds at zero interest. Depending on prevailing interest rates, the cost to state and local governments would decrease by half. The projects would be chosen and administered by state and local governments. The cost to the Federal Government is only a fraction of the funds made available by the initiative.

Mr. CHAMBLISS. Let me make sure that I understand the numbers that you are talking about.

Are you talking about making $400 billion available to States and local communities?

Mr. KUCINICH. Actually, what I am saying is that—I cited the American Society of Civil Engineers. They are saying that over $400 billion would be required to repair roads, bridges, and transit systems.

This particular proposal would call for an amount to be made available that would be about $50 billion per year, and it would be $500 billion over the course of a 10-year program. That would be to loan that money interest-free. The cost to the government would be effectively the cost of subsidizing the loan.

Mr. CHAMBLISS. So what you are talking about is just putting an item in the budget over 10 years of $50 billion for loans to State and local governments, and we are not talking about a bond issue of any sort? This would be just kind of like a loan trust fund of some sort that would be a revolving account?

Mr. KUCINICH. The way the mechanism would work would be this. You have what we call the FBIM, which is what we call the Federal Bank for Infrastructure Maintenance. They would administer the program. I just want to go over this mechanism, because I think it will help answer the question. And it could be joined to

either the Treasury Department's Federal Financing Bank, which extends loans to Federal agencies that at one time borrowed in their own name, or the Federal Home Loan Bank, which is the central banker for the Nation's thrift systems.

The FBIM's purchases of the mortgages would be integrated into the Federal Reserve's open market operations, and the Federal Reserve, as you know, regulates the money stock by purchasing securities in the open market and setting the reserve requirement rates. Payment for the securities adds to the bank's reserve rates, or to the bank's reserves, and the banks multiply that as loans that add to the money supply.

Under this plan, the Federal Reserve would use some of its funds through this FBIM to purchase mortgages on infrastructure projects, and then hold them, instead of simply buying other securities that it would have to buy anyway to expand the money supply.

What would happen is the infrastructure plan would be integrated into the normal operations of the Fed, so Congress would have to authorize, in effect, the Fed would have to authorize the creation of the Federal Bank for Infrastructure Maintenance to administer the program. So that one would be to create the authorization of that, and the other one would be to create the pool of funds that would be available interest-free for repayment on the schedule that would be authorized under the Act.

The budget resolution would simply have to authorize the yearly cost of subsidizing the interest, the first year of that cost would be $2.5 billion, and it would go to a maximum of $15 billion per year. So you start off with the actual cost to the budget, which would be the cost of subsidizing the zero interest loans.

Mr. CHAMBLISS. The only thing I do not like about your presentation is that Texas gets twice as much money available to it as we in Georgia do. But I guess they have twice as many people, and that is why your formula came out like it did.

Mr. KUCINICH. Let me restate the formula, Mr. Chairman.

Mr. CHAMBLISS. Is it similar to the formula used for the Federal revenue-sharing program?

Mr. KUCINICH. It is a per capita formula. Most of the programs I think use per capita formulas. This formula is strictly per capita. It is based on population. That is why California under this would get about $60 billion.

Mr. CHAMBLISS. Mr. Bentsen?

Mr. BENTSEN. Thank you, Mr. Chairman. I think we would find that California got more money than both of us.

Let me say, I think the way this would work is similar to other government lending programs, where there would be both a guarantee, so probably the funds—it would not be a direct loan from the government per se, but there would be a guarantee, and then there would be a subsidization of the interest, as well.

The question is whether or not that would allow States to borrow at a tax-exempt rate or not. We have done things like this in the Clean Water Act in allowing States to set up revolving funds where the government subsidized the borrowing rates, and I think the gentleman raises a very interesting way of leveraging credit in order to meet an incredible demand, a backlog demand in the Nation's infrastructure that we have known about really since the

early 1980's, and we have not caught up with; we have fallen behind.

Mr. KUCINICH. That is essentially what it does, it leverages credit.

Mr. BENTSEN. There are probably some issues, and the Levy Institute is quite good. There may be some issues with respect to the Federal Credit Reform Act of—I think that is right—of 1993 that now also allows or requires, rather, the government to—and the Congress to set aside a reserve against any guarantee in our lending. That becomes a budgetary item, and something you might want to look at. But it is an interesting proposal.

The only comment I would make, Mr. Chairman, for the Record, and I do not want my colleague from Ohio to take this the wrong way, he just happens to be the third person testifying, but we have had our colleague from Missouri come and say that we need $12 billion more in the defense budget. We had the gentleman from California, Mr. Filner, say we need to plus up the VA budget by about $1.5 billion.

Mr. Kucinich brings a very interesting idea addressing a very real and serious economic problem in this Nation that would require additional funding, as well.

I would just reiterate, in the time of plenty that we enjoy right now, we are going to see a lot of demands; and we have not even heard from Agriculture yet, which I know the gentleman from Georgia is particularly interested in, as well. So I think our work is cut out for us in drafting a budget just for the next fiscal year, let alone what we think the Nation's fiscal policy ought to be over the next 5 years or more.

But I commend the gentleman for his presentation. I think he raises a very unique and interesting idea to address and, as I said, a very serious and real problem.

Mr. KUCINICH. If I may respond, Mr. Chairman, the issue of the impact on the economy is something that certainly you have to consider every time you hear a proposal.

If you could think of it in terms of over a 10-year period to put $500 billion, half a trillion dollars, as a stimulus in infrastructure repair, I think that it would be a tremendous economic stimulus, particularly for those areas in the major cities where commerce is so important, and which really serve as the basis for carrying our commerce.

I think there would be a substantial multiplier effect from the, as you describe it, leveraging of credit. So it is not only enhancing the investment, but it would really, I think, be great for the commerce of the country.

But I respect your comments in the sense of the challenge which your committee is presented with in terms of assessing the worthiness of proposals and determining where the money is going to come from.

Mr. BENTSEN. If the gentleman will yield, and with the Chairman's indulgence, one other thing I failed to mention, you do raise a very interesting consideration, one that has been discussed in the Congress over the years. That is, whether or not, given at least the Federal role in State and local infrastructure, which is large, that we want to think of it more in terms of a capital project, capital

projects, rather than ongoing projects, and fund it in a capital sense. Because not only are you talking about stimulus, but you are talking about capital investment in stock that has a very long life to it, and there is something to be said for funding that over a longer period of time or financing it over a period of time, rather than funding it up front, which is sort of how the Federal budget process has worked.

So you raise an interesting point, and whether or not we move toward a capital budget in those types of projects.

Mr. KUCINICH. I appreciate the gentleman's comments. I thank the Chair for the opportunity to present this.

Mr. CHAMBLISS. Thank you for coming, and Mr. Bentsen is exactly right, we have everybody coming in with great programs wanting a little more money.

I will be honest with you, that is the thing that I appreciate about this concept, that you are thinking outside the box. You are thinking of ways that we can reach down and help those folks in our States and in our local communities above and beyond just throwing money out there.

It does cost money when you come up with new ideas and new concepts, but if we do not do that, then we are not serving our folks in the best way possible.

So thank you for being here, and we are going to be working on this budget hopefully over the next couple of weeks. We are going to be putting something together so we can have it to the floor, so thank you for being here.

Mr. KUCINICH. I thank the Chair for his consideration. It is always a pleasure to see you. Thank you.

Mr. CHAMBLISS. The hearing is adjourned.

[Whereupon, at 11:30 p.m., the committee was adjourned.]

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