

**PENDING BENEFITS-RELATED LEGISLATION**

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**HEARING**  
BEFORE THE  
**COMMITTEE ON VETERANS' AFFAIRS**  
**UNITED STATES SENATE**  
**ONE HUNDRED NINTH CONGRESS**

FIRST SESSION

—————  
JUNE 23, 2005  
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## **PENDING BENEFITS-RELATED LEGISLATION**

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**THURSDAY, JUNE 23, 2005**

U.S. SENATE,  
COMMITTEE ON VETERANS' AFFAIRS,  
*Washington, DC.*

The Committee met, pursuant to notice, at 10:15 a.m., in room SR-418, Russell Senate Office Building, Hon. Larry E. Craig (Chairman of the Committee) presiding.

Present: Senators Craig, Thune, Akaka, Rockefeller, Murray, and Salazar.

### **OPENING STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR FROM IDAHO**

Chairman CRAIG. Good morning, everyone, and welcome to the Senate Veterans' Affairs Committee. Today the Committee meets, for the second time this month, to receive testimony on pending legislation. Two weeks ago, we heard testimony on health care legislation; today we hear testimony on benefits related legislation.

The veterans service organizations which appeared at our last hearing are again with us this morning. So is the VA. Today, representing the VA is Under Secretary for Benefits, Admiral Dan Cooper. We thank you all very much for being with us this morning.

We have 12 bills that we will consider today—for the sake of the audience—not all of them in total detail. It is an eclectic assortment of legislation touching on veterans insurance, housing, burial, compensation, and employee benefits. Some of the bills were only recently added to the agenda, and I invite our witnesses to submit supplemental testimony on these late additions, if that is necessary.

The Committee will mark up health and benefits legislation in mid-July, so a full accounting from our witnesses on all of the bills on today's agenda within the next 2 weeks would be extremely valuable to the Committee as we sort through and begin our work.

Before I continue, I want to make a few comments about the purpose of this hearing and its relation to the Committee's July markup. Congressional budget rules require us to pay for any new veterans entitlement spending through offsets in other veterans programs. Under that stricture, some of the bills on today's agenda will, without question, be difficult to advance at the markup. I do not want to create the false impression that because the bills appear on the agenda for a legislative hearing, that they automatically will be on the Committee's markup agenda. But I do believe that our colleagues who are sincere in offering them have an oppor-

tunity and should have that opportunity to have them heard. That is not necessarily the case in all situations.

With that said, I feel it is important to explore the merit of legislation hearings like this one and to identify, if possible, the offsets. So that is important, I think, as we build committee record.

With that bit of housekeeping taken care of, I now will offer some brief comments on two bills that I have introduced, S. 1234 and S. 1235.

S. 1234 would provide a cost-of-living adjustment to the rates compensation provided to over 2.6 million disabled veterans and over 330,000 survivors. The end-of-year adjustments are expected to be 2.3 percent, and it would result in a total estimated payout of \$400 million. Because of the importance of these annual cost-of-living adjustments and the impact they have on our lives, the Congressional budget rules require no offsets in spending to pay for them.

I now turn to S. 1235, a bill that would make permanent the enhancement to the Servicemembers' Group Life Insurance, SGLI, program contained in the Emergency Supplemental Appropriation Act enacted over a month ago. Those enhancements will expire at the end of the fiscal year, so it is incumbent upon this committee, the committee of jurisdiction, to act. Accordingly, my legislation would increase the minimum of SGLI coverage from \$250,000 to \$400,000, would allow servicemembers to elect to reduce their coverage in \$50,000 increments, and would require notification to spouses of servicemembers when an election to reduce coverage or change beneficiaries is made.

S. 1235 would also extend from 1 to 2 years the period within which totally disabled servicemembers may apply to convert their SGLI coverage to Veterans' Group Life Insurance, VGLI, coverage upon discharge. Taking advantage of this conversion option is critical for seriously disabled veterans, many of whom may not be able to purchase commercial insurance coverage at affordable rates because of their disability. I have learned that less than half of those eligible to convert now do so. This is understandable in that their immediate focus after service is likely to be their rehabilitation needs and not long-term financial planning. My legislation would give them the extra time they might require to take this prudent step to secure their families' futures.

Finally, S. 1235 would build some additional flexibility in VA's Home Loan Guaranty program. VA may now guarantee so-called hybrid adjustable rate mortgages, or ARM loans, as we know them. These are loans that have a fixed period of interest between 3 to 10 years and an annual interest rate adjustment rate thereafter. To protect veterans against wild swings in interest rates during the annual adjustment period, caps on annual adjustments were placed into law. One of those caps, I have learned, is too restrictive, so much so that lenders may be unwilling to make hybrid ARM loans to veterans or, if they are willing, charge veterans higher-than-normal interest rates. My legislation gives VA the flexibility it needs to modify rate-adjustment caps so that they conform to the industry standards.

As I mentioned earlier, we have a large slate of bills on the agenda, so I will stop with that. My colleague and Ranking Member has just arrived—Are you prepared to make comment now?

Senator AKAKA. Thank you.

Chairman CRAIG. He is prepared to make comment now, so I'll turn to Danny.

**OPENING STATEMENT OF HON. DANIEL K. AKAKA,  
U.S. SENATOR FROM HAWAII**

Senator AKAKA. Thank you, Mr. Chairman, for scheduling today's hearing on benefits legislation that is pending before this Committee. I note that this is the second legislative hearing this month, with one earlier on pending health care legislation. I felt the last hearing was really productive, Mr. Chairman, and it is my most sincere hope that we can continue the work that this Committee has done thus far for this session.

Mr. Chairman, we have a full schedule ahead of us today, so I will take this time to briefly explain my legislative priorities.

In 1992, I sponsored legislation that established a pilot program that provides Native American veterans with assistance in purchasing, constructing, and improving homes. This program allows our Native American veterans, who have served our Nation so honorably, and their families to be part of the American dream of home ownership. Through January of this year, 443 loans were created under this program.

The rate of home ownership among Native Americans is about half the rate of the general U.S. population. This issue partially stems from the fact that lenders generally require that loan applicants own the parcel of land on which their homes will be located. This is difficult for many in Indian country, in Alaska, and Hawaii, because their homes are on Trust lands. Most lenders decline these loan applications because Federal law prohibits a lender from taking possession of Native Trust lands in the event of a default. This is why this program is so important. It makes home ownership on Trust lands accessible for Native American veterans.

This pilot program has been extended several times. It is considered to be a saver by CBO and will continue to be a saver for the foreseeable future. It is time to make the Native American Veteran Housing Loan program permanent this year.

Last session, the law that allowed severely disabled members of the armed forces to receive specially adapted housing grants from the Department of Veterans' Affairs while still on duty was inadvertently repealed. This was an oversight that occurred when the law authorizing the Secretary of Veterans' Affairs to provide specially adapted housing for veterans whose disability is the result of the loss, or loss of use, of both upper arms above the elbow was modified. My bill would again provide the adapted housing benefit to disabled servicemembers in need of accommodations as they return to their homes.

The Disabled Veterans Insurance Improvement Act of 2005 would increase the amount of supplemental life insurance available to totally disabled veterans from \$20,000 to \$40,000. VA's Service Disabled Veterans Insurance program was established back in 1951 to provide life insurance for veterans with service-connected

disabilities. The basic death benefit in 1951 was \$10,000 and has not been increased since that time. Since 1992, totally disabled veterans have been eligible for \$20,000 in supplemental coverage. Currently, 43 percent of the veterans enrolled in the SDVI program are considered totally disabled and have been deemed, and I quote, “unable to find substantially gainful employment.” About a fourth of these veterans have supplemental insurance coverage. These veterans find it difficult to obtain commercial life insurance policies. It is these veterans that we are trying to help.

I thank the witnesses from VA for coming today to share the Department’s views. I would especially like to thank the VSO panel. You work with veterans on a daily basis and know how veterans are feeling and what their needs are. We appreciate your comments. I want to thank our colleagues also and look forward to their testimony.

Thank you, Mr. Chairman.

Chairman CRAIG. Senator Akaka, thank you very much.

Before we turn to our colleagues who are here to give testimony on their legislation today, let me turn to the Members of the Committee, Senator Murray, Senator Salazar. Patty, do you have any opening comments you would like to make?

**OPENING STATEMENT OF HON. PATTY MURRAY, U.S. SENATOR FROM WASHINGTON**

Senator MURRAY. I do. Thank you very much, Mr. Chairman, and thank you and Senator Akaka for holding today’s hearing. I want to thank all of our panelists who will be joining us as well as our colleagues who have proposed legislation as well.

Mr. Chairman, I really share my colleague’s concerns regarding the need for fair treatment for veterans within the VBA system, and I support many of the proposals that are before us today. Especially, I want to acknowledge Ranking Member Akaka’s bill to make permanent the Native American Home Loan program. I am very proud to represent a number of tribal veterans in my State of Washington, and I support efforts to help make the Native American Home Loan program permanent.

I also want to take this opportunity to express my support for legislation from both Chairman Craig and Ranking Member Akaka that would increase insurance benefits for our veterans.

In addition, I just wanted to mention that I have a piece of legislation before the Committee today as well, the Prisoner of War Benefits Act of 2005. This is a bill that will correct a really glaring injustice that faces some of our former American prisoners of war and will reaffirm our commitment to all those Americans who are held in captivity while fighting for our freedom. We know that those who have been prisoners of war often suffer medical problems many years later as a result of their captivity under inhumane conditions, and unfortunately, it took a long time for many of our former POWs to get the help they need and deserve.

Back in 1981, Congress began to address this problem by establishing certain medical conditions as presumptive for POWs, but it did require a very high level of research certainty—95 percent, in fact—before veterans could get the benefits based on medical problems. So as a result, a lot of the health problems common in POWs

were, and really still are, denied coverage. Congress and this Committee have in fact taken some steps to fix this, but there are still some barriers that need to be addressed.

My bill, S. 1271, would add four additional medical conditions to the presumptive list and it would eliminate the minimum time of internment required for former POWs to qualify for some of the benefits and would establish a system for the VA to work with the Advisory Committee on Former Prisoners of War to decide whether certain medical conditions should be added or removed from the list of presumptives for former POWs.

This legislation is companion to legislation that has been introduced in the House of Representatives. Here in the Senate, my bill is endorsed by the American Ex-Prisoners of War. This bill is a follow-up to similar legislation of mine from 2003, the Francis Agnes Ex-Prisoner of War Benefits Act. That was a bill that was named after a very good friend of mine. He survived as a prisoner of war for 3½ years. He was a survivor of the Bataan Death March and two POW camps in the Philippines, and he lived a life of service to his family and his fellow veterans and to his community.

In all the time Fran and I spent together, he never asked me to do anything for him. He was always concerned about other veterans and their families. He was asking to help the widows. He asked me to support POWs' lawsuit against the Japanese companies that profited from slave labor during World War II. He was always asking me for help for another veteran. When we lost Fran on February 9, 2003, I lost a good friend, but this country lost a very selfless man.

So passing S. 1271, I think, would be a very fitting tribute to Fran and all the other thousands of veterans who have endured as prisoners of war and sacrificed for our liberty and our freedom, and I think it's right to do for those who have sacrificed their liberty to protect our country.

So I look forward, Mr. Chairman, to hearing the views of the VA and the VSO's on this bill and other legislation before us. Again, I congratulate my colleagues who have also introduced legislation today.

Chairman CRAIG. Senator Murray, thank you very much.  
Senator Salazar, Ken.

**OPENING STATEMENT OF HON. KEN SALAZAR, U.S. SENATOR  
FROM COLORADO**

Senator SALAZAR. Thank you very much, Chairman Craig and Senator Akaka, for holding this hearing today. I also want to thank my colleague Senator Allard from Colorado for the bill that he will be testifying on, which I am co-sponsoring and believe is a very good bill for Colorado and for our veterans.

Also welcome to our Committee, Senator Pryor.

Today, we will be discussing a bill that I have been working on with Senator Allard to establish a cemetery in Colorado Springs, part of the Pike's Peak region of Colorado. Pike's Peak has one of the largest per capita veterans populations in the Nation. More than 105,000 veterans and more than 30,000 active duty members call the area home. Despite this, the nearest veteran's cemetery is

in Fort Logan, which is a 75-mile trip from Colorado Springs to Denver.

There are few parts of the country that are friendlier to the military and to veterans than Pike's Peak. Colorado Springs has the fourth highest concentration of veterans in the Nation. The area is home to the U.S. Air Force Academy, Peterson Air Force Base, Shriever Air Force Base, NORAD, and Fort Carson, and we currently have 11,000 troops deployed to Iraq from Fort Carson. The VA has repeatedly rejected proposals to build a national cemetery in the Pike's Peak region, citing its goal to have 90 percent of veterans within 75 miles of a cemetery. This is a commendable goal, but it is an arbitrary one. It was intended to make sure isolated small pockets of veterans did not have to drive too far for a cemetery. But in Pike's Peak, we have one of the largest veterans communities in the Nation just within the 75-mile boundary, so we ought to find a way of getting this national cemetery built in the Pike's Peak area. I fully support S. 551.

Secondly, there is another item of legislation that is on our agenda and it is Senate Bill 1259, called the VETS Act. That act is intended to improve the transition out of the military so that more of our servicemembers can find better civilian jobs. The bill builds on a hearing that Chairman Craig and Ranking Member Akaka held on this important issue. I want to thank them for their usual bipartisan leadership and for modeling bipartisanship in this Committee. The bill is also informed by research and conversations I have had with Colorado veterans who have struggled to find good jobs after leaving the military and are unsatisfied with transition assistance that they have received.

Statistics show that new veterans are struggling to find good jobs. Veterans discharged since January 2001 have an unemployment rate of 6.9 percent, nearly 7 percent. That is compared to 5.9 percent unemployment in the general population during that time period. Recently released veterans who are disabled have an even higher rate of unemployment. These are disabled veterans with an unemployment rate of 8.3 percent. We can and we must do better. S. 1259 takes a number of important steps to improve that transition process.

I will submit the rest of my statement for the record, in the interest of time and knowing that my colleagues are waiting here to testify. But I am proud of the work of this Committee, and Senator Craig and Senator Akaka, I applaud you for holding this hearing today.

[The prepared statement of Senator Salazar follows:]

PREPARED STATEMENT OF HON. KEN SALAZAR, U.S. SENATOR FROM COLORADO

Thank you Chairman Craig and Senator Akaka, for putting together this hearing. Thank you to Admiral Cooper, Under Secretary Wannemacher, Mr. McClain and all the members of the Veterans Service Organizations who are here today.

I want to extend a special welcome to my colleague from Colorado, Senator Wayne Allard, who will testify today on a bill we have worked on together closely.

Today, we are going to discuss a bill that I have been working on with Senator Allard to establish a cemetery in Colorado Springs, part of the Pikes Peak Region of Colorado.

Pikes Peak has one of the largest per-capita veterans populations in the Nation. More than 105,000 veterans and the more than 30,000 active-duty members of the

military call the area home. Despite this, the nearest veteran's cemetery is at Fort Logan, a 70-mile trip from Springs through heavy Denver traffic.

There are few parts of the country friendlier to the military and to veterans than Pikes Peak. Colorado Springs has the fourth-highest concentration of veterans in the Nation. The area is home to the U.S. Air Force Academy, Peterson Air Force Base, Schriever Air Force Base, NORAD, and Fort Carson, which has 11,000 troops deployed in Iraq.

The VA has repeatedly rejected proposals to build a national cemetery in Pikes Peak, citing its goal to have 90 percent of veterans within 75 miles of a cemetery. This is a commendable goal, but an arbitrary one. It was intended to make sure isolated small pockets of veterans did not have to drive too far for a cemetery. But in Pikes Peak we have one of the largest veterans communities in the Nation just within the 75-mile boundary. That is surely not what the VA intended when it set up its demographic criteria.

The 75-miles boundary is not even relevant in this case, because veterans in the area have identified numerous potential cemetery sites near Fort Carson that are beyond the boundary.

The veterans of Pikes Peak deserve a National Veterans Cemetery in their own community. I hope Members of this Committee will support S. 551.

Another piece of legislation we will consider is S. 1259, the VETS Act, to improve the transition out of the military so that more of our servicemembers can find better civilian jobs.

This bill builds on a hearing that Chairman Craig and Senator Akaka held on this important issue. I want to thank them for their bipartisan leadership. The bill is also informed by research and conversations I have had with Colorado veterans who have struggled to find good jobs after leaving the military and are unsatisfied with transition assistance they have received.

Statistics show that that new veterans are struggling to find good jobs. Veterans discharged since January 2001 have an unemployment rate of 6.9 percent compared to 5.9 percent in the general population. Recently released veterans who are disabled have an even higher rate of unemployment—8.3 percent.

We can do a much better job, and S. 1259 takes a number of important steps to improve the transition process.

First, it would give veterans service organizations better access to separating servicemembers. VSOs have always had a special role, both within the VA and in veterans' lives. We saw during the claims adjudication hearing last month that vets who are represented by VSO's get substantially better results from the VBA. VSOs and the lifelong support they provide have made the critical difference for countless veterans. This bill helps VSOs reach veterans and begin that engagement early.

Second, it would separate the functions of re-enlistment recruitment and pre-separation counseling. On many military facilities, including at Fort Carson, Colorado, there is one officer or office responsible first for convincing servicemembers to re-enlist and second for providing counseling for those who decide to leave the military. This can represent a conflict of interest and relegates employment and benefits counseling to an afterthought within DoD.

Third, S. 1259 encourages participation in intensive 2- to 3-day employment workshops. Participation in these Transition Assistance Program workshops varies a great deal and often depends on whether or not individual commanding officers encourage and allow it during duty time. S. 1259 would simply establish TAP participation rates as one of the performance measures for commanding officers. This would help create a culture of participation across all the branches of service.

I hope Members of this Committee will support this bill.

I am proud that Senators in this Committee and others who are joining us today have worked to find bipartisan solutions to improve the VA's outreach, improve the care of former POWs, and expand burial benefits.

I want to thank Senators Craig and Akaka for introducing bills that will make a huge difference in the lives of veterans by improving insurance and housing benefits as well as benefits for Native American veterans. I want to particularly recognize Senator Akaka for S. 1252, a bill I was proud to work on with him and co-sponsor.

Thank you again, Chairman Craig, Senator Akaka. I look forward to this hearing.

Chairman CRAIG. Ken, thank you very much.

We have been joined by our colleague Jay Rockefeller. Senator Rockefeller, do you have any opening comments you would like to make?

Senator ROCKEFELLER. Mr. Chairman, I am late and we have two moderately looking impatient Senators at the witness table, so I am going to withhold my wisdom until after they have imparted theirs.

Chairman CRAIG. All right. That is very kind and courteous of you. Thank you. We will move to our colleagues who are here this morning to testify on bills they have introduced that are moving through this Committee.

Let me first recognize, as Senator Salazar has said, his colleague and mine from Colorado, Congressman—"Congressman". We went back too far on that one, didn't we?

Senator Wayne Allard. Senator, welcome.

**OPENING STATEMENT OF HON. WAYNE ALLARD, U.S. SENATOR  
FROM COLORADO**

Senator ALLARD. Well, thank you, Mr. Chairman. Thank you for holding this important hearing. Obviously you have a lot on your platter here today.

I would also just like to specially recognize my colleague from Colorado, Senator Salazar, and do appreciate his support of Senate Bill 551. I also appreciate the opportunity just to say a few words about the legislation. I would ask the Chairman if he would make my full statement a part of the record.

Chairman CRAIG. Without objection, it will be. Thank you.

Senator ALLARD. The legislation I introduced to authorize the creation of the Colorado Springs National Cemetery that is being considered by this Committee is an issue of importance to the Colorado Springs community and to all of southern Colorado. I am pleased to be here to ask for your support. And identical House companion legislation has been introduced by Representative Joel Hefley.

As you are already aware, the purpose of the proposal is to establish a much-needed national cemetery in the Colorado Springs metropolitan area. It is my belief that this legislation answers a significant need in that area that has been brought to my attention repeatedly by community leaders and local veterans service organizations. In fact, it is the growing military retiree and veterans populations in the area that has influenced by decision to introduce this legislation.

I note that the 2000 Census indicated that as many as 103,000 veterans and 110,000 spouses are in the Colorado Springs area, who may be eligible for burial in a national cemetery. In addition, there are nearly 23,000 retired personnel in the 5th Congressional District of Colorado alone, the third largest Department of Defense retired community in any congressional district in the country.

The Colorado Springs area is also the home of many active duty installations, many of them already mentioned by my colleague. That is the Army's Fort Carson, along with Peterson and Shriever Air Force Bases. They are the premier military installations located in southern Colorado. These bases are all slated to grow significantly after the 2005 base-realignment closure round is completed. It should also be noted that the Air Force Academy and Cheyenne Mountain, which includes the elements of the North

American Aerospace Defense Command, and the U.S. Northern Command, are also located in this fast-growing area.

These installations are home to nearly 30,000 uniformed personnel, not including dependents that are potentially eligible for interment at the proposed cemetery. This legislation will allow the thousands of eligible Colorado Springs military personnel, both active duty and retired, as well as the many veterans living in the area, to have a chance to find their final resting place in the city that so many of them have come to love and appreciate.

In addition to the creation of a cemetery, the bill would also give authority to the Secretary of Veterans Affairs to accept a parcel of land as a gift to the Department for the establishment of the national cemetery. To this end, the local governments around Colorado Springs, as well as the local veterans services organizations have been working together to pursue a suitable location in the area that could be donated to the VA Department. Several possible locations are being considered. Concurrently, my colleague Representative Hefley and I are pursuing a legislative proposal that would create a buffer zone around Fort Carson, Colorado to protect against encroachment, and I believe this might be an ideal candidate for the proposed cemetery.

I believe that it is imperative for us to closely examine the needs of the area's large veterans population and the growing military community. A new cemetery seems well-deserved. The ever-increasing retiree and veteran demographics show a strong need for a final resting place and a lasting memorial in the community that would commemorate their service to our Nation. I do believe that the Colorado Springs metro area is especially suited for a national cemetery.

Again, I thank you, Chairman Craig, for the opportunity to speak here today. I look forward to working with the Committee to ensure passage of the legislation.

[The prepared statement of Senator Allard follows:]

PREPARED STATEMENT OF HON. WAYNE ALLARD, U.S. SENATOR FROM COLORADO

Thank you, Mr. Chairman, for holding this important hearing today.

I appreciate the opportunity to say a few words about S. 551, the legislation I introduced authorizing the creation of a Colorado Springs National Cemetery that is being considered by this Committee. It is an issue of importance to the Colorado Springs community and to all of Southern Colorado, and I am pleased to be here to ask for your support. The legislation is co-sponsored by my Colorado colleague Senator Salazar and has an identical House companion introduced by Representative Joel Hefley. As you are already aware, the purpose of the proposal is to establish a much needed National Cemetery in the Colorado Springs metropolitan area. It is my belief that this legislation answers a significant need in the area that has been brought to my attention repeatedly by community leaders and local Veterans Service Organizations.

In fact, it is the growing military retiree and veterans population in the area that has influenced my decision to introduce this legislation. I note that the 2000 Census indicated that as many as 103,000 veterans and 110,000 spouses are in the Colorado Springs area who may be eligible for burial in a national cemetery. In addition, there are nearly 23,000 retired personnel in the 5th Congressional District of Colorado alone—the third largest DoD retired community in any Congressional District in the country.

The Colorado Springs area is also the home of many active duty installations. The Army's Fort Carson, along with Peterson and Schriever Air Force Bases, are the premier military installations located in Southern Colorado. These bases are all slated to grow significantly after the 2005 Base Realignment and Closure round is completed. It should also be noted that the Air Force Academy and Cheyenne Moun-

tain, which includes elements of the North American Aerospace Defense Command (NORAD) and the U.S. Northern Command (NorthCom) are also located in this fast growing area. These installations are home to nearly 30,000 uniformed personnel, not including dependants, that are potentially eligible for internment at the proposed cemetery. This legislation will allow the thousands of eligible Colorado Springs military personnel, both active duty and retired as well as the many veterans living in the area, to have a chance to find their final resting place in the city so many of them have come to love and appreciate.

In addition to the creation of a cemetery, the bill would also give authority to the Secretary of Veterans' Affairs to accept a parcel of land as a gift to the Department for the establishment of the national cemetery. To this end, the local governments around Colorado Springs as well as the local Veteran's Service Organizations, have been working together to pursue a suitable location in the area that could be donated to the VA Department. Several possible locations are being considered. Concurrently, my colleague Representative Hefley and I are pursuing a legislative proposal that would create a buffer-zone around Ft. Carson, Colorado to protect against encroachment that I believe might be an ideal candidate for the proposed cemetery.

Let me State that I am aware of the VA standard of a 75-mile radius as an appropriate service area for national cemeteries. Colorado Springs falls a few miles short of this standard, but I believe that it is imperative for us to closely examine the needs of the area's large veterans population and the growing military community a new cemetery would serve. The ever increasing retiree and veteran demographics show a strong need for a final resting place and lasting memorial in the community that would commemorate their service to our Nation.

I do believe that the Colorado Springs metro area is especially suited for a national cemetery. Again, I thank you Chairman Craig, for the opportunity to speak here today, and I look forward to working with the Committee to ensure passage of the legislation.

Chairman CRAIG. Senator Allard, thank you very much for that testimony.

Now let me turn to our colleague Mark Pryor. Senator Pryor is from the great State of Arkansas. Welcome before the Committee, Mark.

#### **OPENING STATEMENT OF HON. MARK PRYOR, U.S. SENATOR FROM ARKANSAS**

Senator PRYOR. Thank you, Mr. Chairman, and thank you for having me here. I thank all the Committee Members for their attention to this.

Picking up on Senator Rockefeller's theme of wisdom, I am going to keep my comments short. I would ask that my statement be submitted for the record.

Chairman CRAIG. Without objection.

Senator PRYOR. And also there is a news article which outlines pretty well the problem that we are trying to solve here, and I would ask that that be submitted for the record as well.

Chairman CRAIG. Thank you. It will be, without objection.

Senator PRYOR. Let me say that it is with regret that Senator Norm Coleman, the Republican sponsor of the Veterans Benefits Outreach Act is not here today. Apparently he is out at a BRAC hearing, which we can all understand that.

Chairman CRAIG. Thank you for mentioning him as one of the sponsors of this. I think that is correct.

Senator PRYOR. Yes. Certainly he would be here but for the urgency of that situation that he has been working very diligently on. He has worked very diligently and very vigorously on this legislation, and I know he wants to be here today. But I will do my very best to confer the purpose of S. 151, the Veterans Outreach Act.

Basically, the VA has done a survey that now estimates that there about 572,000 U.S. veterans that will not receive the benefits that they have earned. And many of these veterans—not all, but many of these veterans do not receive their benefits because they don't know how to access them or they get tangled up in the bureaucracy and are not able to do that. So this, I think, may be exacerbated a little bit by the fact that we will have so many veterans returning from Iraq and Afghanistan, not just very recently, but also over the next coming months and perhaps even over the next several years. That is why Senator Coleman and I have been working on S. 151, the Veterans Benefits Outreach Act.

One thing that is important for the Committee to understand is there is no new money in this bill. We are not requiring a new expenditure of funds. Basically what we are asking the VA to do is have them make an effort to identify veterans who are not receiving benefits and who might be entitled to them and come up with an annual plan of outreach to these veterans, and to notify them or, through whatever system the VA thinks is efficient and effective, to allow them to know what benefits are available and to encourage them to participate if they choose to.

The other thing it does is—and this is an important provision—is it calls for the VA to coordinate outreach efforts with State and local education and training programs, nongovernmental organizations that carry out veterans programs, State and local veteran employment organizations, and business and professional organizations. We think that if the VA can kind of lead the team effort here, it can be very, very effective.

Thanks again to the Committee for their attention. And just in closing, I would like to say that these are services and programs that our veterans have earned through their service to this Nation, and Senator Coleman and I are very concerned that our veterans receive what they are entitled to. I appreciate the Committee's attention to this. Thank you.

[The prepared statement of Senator Pryor follow:]

PREPARED STATEMENT OF HON. MARK PRYOR, U.S. SENATOR FROM ARKANSAS

Chairman Craig, Ranking Member Akaka. Thank you for allowing me to be here today to provide testimony on S. 151, the Veterans Benefits Outreach Act.

First, it is with regret that Senator Norm Coleman, the Republican sponsor of the Veterans Benefits Outreach Act, is unable to be here today. Senator Coleman has worked vigorously on this legislation and it was unfortunate that a scheduling conflict has kept him from being here today. I will do my best to confer upon you the importance of implementing the straightforward provisions of S. 151.

The Veterans Benefits Outreach Act was written following a Knight Ridder analysis of Veterans Administration (VA) survey data that estimated that 572,000 U.S. veterans may not be receiving the benefits that they have earned. In brief, Knight Ridder concluded that many veterans were simply unaware of the veterans' benefits available and that the VA's efforts to keep these veterans informed have fallen short.

It should be noted that the VA outreach programs are improving, especially for active duty soldiers. Nevertheless, data shows that our older, more venerable veterans from past conflicts are not as likely to get the benefits that they deserve. Furthermore, with veterans returning en masse from Iraq and Afghanistan educating and guiding these young men and women through the VA system will be a significant job that should be tackled proactively.

From this and other data, we can all agree that outreach and education to our veterans is our duty and that the burden is on us to provide the necessary outreach to ensure that veterans, and their dependents, can make informed decisions and claims in the world of ever changing veteran benefits.

Thus, I present to you S. 151, the Veterans' Benefits Outreach Act. It simply calls for the Department of Veterans' Affairs to develop an annual outreach strategy for our veterans. Under this legislation, the VA would be required to make an effort to identify veterans not enrolled in the VA system and propose programs to keep all veterans and their dependents informed of current benefits and services to which they are entitled.

S. 151 has one last very important provision to accomplish these goals, it calls for the Veterans Administration to coordinate outreach efforts with State and local education and training programs, non-governmental organizations that carry out veteran programs, State and local veteran employment organizations, and businesses and professional organizations.

In my view, it is essential to work with our State and local officials and non-governmental organizations if we are to have meaningful programs in place that will help our Nation's veterans receive adequate information to make informed choices about their health care options. Veterans should not have to jump through hoops to learn about and receive the benefits they've earned. This bipartisan bill represents an opportunity to cut through bureaucracy and meet the challenges we foresee instead of waiting until benefit problems escalate for a new generation of veterans.

In closing, we know that thousands of veterans and their dependents go unaware of their benefits to which they are entitled and that the modifications and changes to existing services only complicate this matter. We must do what we can to ensure that the VA system is responsive to their needs and Senator Coleman and I believe S. 151 will help in this regard. I hope that the Committee can support the provisions of S. 151 and act on this bill immediately.

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[From the Tribune News Service, Knight Ridder Washington Bureau, July 3, 2004]

#### THOUSANDS OF DISABLED VETS LACK DISABILITY PAYMENTS DUE TO POOR AGENCY OUTREACH, STIGMA

(By Alison Young and Chris Adams)

JEFFERSON CITY, MISSOURI.—Frostbite and gangrene still ravage Joseph Hallemann's legs nearly 60 years after he was an Army scout wading through an icy French harbor in World War II.

Yet for decades, Hallemann never received compensation from the U.S. Department of Veterans Affairs for the injuries he suffered in service to his country.

It wasn't until the State of Missouri noticed how few of its veterans were getting Federal disability benefits and set up a program to find them that Hallemann learned he was eligible.

"I think it's a dang disgrace on the country," said Missouri Lt. Gov. Joe Maxwell. "We've asked men and women to serve and pay a horrible price, and then to abandon them when they come home. These are not handouts; these are earned benefits." Despite Abraham Lincoln's admonition for the country "to care for him who shall have borne the battle," hundreds of thousands of vets nationwide potentially are missing out on disability payments from the VA—and the agency's efforts to find them have fallen far short.

A Knight Ridder analysis of the VA's own survey data puts the number of those veterans at about 572,000. If all of them were to secure monthly benefits, they could be collecting \$4.5 billion a year, based on current average payments.

Funding such a sizable liability wouldn't be easy, of course, during this time of high deficits, competing national priorities and reconstruction of Iraq. But advocates for veterans say the Nation made promises it's obligated to keep.

While the VA has an ambitious program to enroll current soldiers as they prepare for discharge, officials with State and nonprofit veterans agencies say the Federal Government does little to find vets who left the military years or decades ago.

Linda Boone, the executive director of National Coalition for Homeless Veterans, said VA officials expect vets to contact them if they want benefits. "They don't do the outreach," she said.

Mike McLendon, the VA's deputy assistant secretary for policy, said the agency has come a "long, long way" in reaching out to veterans. He said he suspects that many veterans who may be eligible for disability benefits have simply chosen not to apply.

"At the end of the day, we have to recognize that the VA cannot order people to file a claim," McLendon said.

With no comprehensive Federal outreach program, many State veterans departments have set out to find these missing veterans. They're motivated in part by the

big differences in the percentage of each state's veterans who receive Federal disability benefits, which ranges from 16 percent to 6 percent.

Joseph Hallemann recalls vividly the relentless cold that enveloped him during the war—from his landing at Le Havre in France in 1945 to sleeping in snow banks. “I remember standing one night in a manure pile. That’s how you would get your feet warm,” said Hallemann, who recalls being paid \$30 a month by the Army. He received a Combat Infantryman Badge and a Bronze Star for heroism.

Young Pfc. Hallemann’s legs were badly damaged by the cold. Six decades later, they’re purple, black and brown, and he has significant nerve damage.

“I can’t feel anything, said Hallemann, 78, who walks with great difficulty.

In 1947, Hallemann applied to the VA for compensation, but the government—using a fill in-the-blank form letter that he’s kept all these years—rejected his claim. Hallemann dropped the matter until July 2002, when he went to a Missouri Veterans Commission gathering in his hometown of Florissant, about 20 miles northwest of St. Louis.

Missouri officials encouraged Hallemann to reapply and helped him document his case. He now has a 100 percent disability rating, which pays him more than \$2,200 a month.

Last year, Missouri helped Vietnam veteran Arthur Griffin get his monthly disability check. “It means we can pay our electric bill,” said the 57-year-old forklift mechanic. His family has been scraping by since his wife, Linda, quit her job to care for her elderly parents.

Four years ago, doctors diagnosed Griffin, of Republic, Mo., with Type II diabetes and told him that he’ll likely develop crippling problems in his hands and feet. Because he did two tours in Vietnam, the VA presumed that Griffin’s diabetes was caused by exposure to Agent Orange, a potent herbicide. Griffin now has a 20 percent disability rating. He receives \$205 a month, as well as medical care and medications for his condition.

“This is a godsend,” said his wife. “It just really helps to know that if something happens, he’ll be taken care of.” Griffin said he was reluctant to apply. “I looked at it as welfare, and it’s not,” he said. “They’re finally keeping their end of the bargain. I hadn’t thought of it that way.” Calling them “veterans supermarkets,” Missouri has held about 20 such outreach events across the State in the past 2 years.

“When we do a supermarket, we may have 250 vets file 150 claims,” said Ron Taylor, the executive director of the Missouri Veterans Commission, during an event in Jefferson City in April. “Many of them may have filed a claim a number of years ago, been denied and didn’t follow up.” Others are primarily interested in gaining access to VA medical care, which is often contingent on having a disability connected to military service.

Taylor and Maxwell, a Democrat, credit the program with helping to add 4,000 Missouri vets to Federal disability rolls.

The disabilities that the government pays for are wide ranging: from the loss of an arm or leg while in combat to more subtle damage, such as hearing loss from working near heavy artillery. The VA also covers arthritis from old injuries and illnesses from chemical exposure.

The VA’s rigorous application process, which can take months and sometimes years to complete, requires documentation of the veterans’ medical conditions and military records or other proof to show the disabilities resulted from service. Compensation checks range from \$106 to \$2,239 a month. Of the country’s 25 million living veterans, 2.5 million receive about \$20 billion in disability compensation payments each year.

The 572,000 uncompensated veterans counted in Knight Ridder’s analysis are those who say they have disabilities that they believe are connected to their military service but they’ve never applied for benefits. It’s a tally derived from a 2001 VA survey of 20,000 veterans nationwide.

It’s impossible to say how many of the 572,000 would have the documentation needed to qualify. The VA notes that among veterans in the survey who thought they should be getting benefits and had applied, more than one-third were turned down.

The large number of missing veterans suggests that the VA isn’t doing enough to connect veterans to the benefits they’ve earned, said Rep. Bill Pascrell Jr., D-N.J. In 2000, he introduced the Veterans Right to Know Act, which called for more outreach and for the VA to prepare a yearly plan for outreach activities. While some language from the bill made it into law, the requirement for an annual outreach plan has gone nowhere.

Pascrell called the VA’s lackluster outreach effort “unconscionable.” VA officials strongly disagree. But they can provide little data to demonstrate the agency is

being effective, even though they've been working to do so since last year in response to questions from Congress.

The outreach programs that VA officials tout most are directed only at soldiers on active duty. Since 1990, the VA has offered intensive benefits seminars to soldiers nearing discharge and in 1998 began helping them apply. About 30,000 soldiers filed disability claims through this outreach program last year—about a quarter of new claims.

The VA's efforts for older veterans are more modest. VA officials said they contact them through pamphlets, the Internet, press releases and through partnerships with local officials.

Most direct contact is done by State and county veterans agencies and nonprofit veterans groups. In some parts of the country, these groups are adequately staffed and aggressive in their pursuit of veterans. In others, they're not.

Ray Boland, a former president of the National Association of State Directors of Veterans Affairs, said there needs to be a consistent approach. The goal should be "to provide equal services to all veterans wherever they live," said Boland, a retired Wisconsin Department of Veterans Affairs official.

The differences in State services help explain the wide disparities.

At the high end are states such as Alaska, New Mexico, Oklahoma and Texas, where 12 percent to 16 percent of veterans receive disability compensation payments. At the low end are Illinois, Iowa, Connecticut and Michigan, where 6 percent or 7 percent of veterans get compensation. The national average is 9.9 percent.

Experts say other things affect the differences. Economic and demographic factors likely play roles. States with large military bases, for example, may rank higher because career military personnel retire nearby and are more likely to have service-related disabilities.

Nonetheless, the differences have provoked concern.

Rep. Lane Evans of Illinois, the Ranking Democrat on the House Committee on Veterans' Affairs, said he was "completely surprised" by the disparities. He said the differences deserve congressional scrutiny.

"Is there any reason to believe twice as many veterans in Puerto Rico and Maine than Illinois should qualify?" asked Evans. "We are going to be looking into it." Sen. Arlen Specter, R-Pa., who chairs the Senate Veterans' Affairs Committee, said he hasn't heard many complaints about disabled veterans not getting their due. "And this is a group that is well represented," he said.

To State directors, it's obvious more needs to be done. Oklahoma has long had one of the highest percentage of veterans receiving Federal disability benefits. The key, State officials say, is sending well-trained claims preparers to neighborhoods rather than forcing veterans to find them.

"We make sure we get the service to where the veterans are," said Phillip Driskill, the department's executive director.

Even with nearly 13 percent of Oklahoma's 360,000 veterans receiving disability checks, Driskill thinks there are thousands more who deserve payments but aren't getting them.

Such projections from a State near the top of the list make States near the bottom look potentially worse.

Pennsylvania, for instance, has 1.2 million veterans—but fewer than 8 percent are receiving compensation for disabilities. Jim Davison, the State's deputy director for veterans affairs, said too few resources and a lack of aggressive outreach by State and local nonprofit veterans groups may help explain the disparity.

Tom Johnson, California's new secretary of veterans affairs, asked his staff to explore outreach programs after learning his State ranked just below the national average.

"We're going to put our shoulder to the wheel and see how we can make improvements," he said.

(Editors' Notes: The U.S. Department of Veterans Affairs and Missouri Veterans Commission are CORRECT. The House Committee on Veterans' Affairs, unlike others, uses the possessive plural form of veterans.)

Also, here are details of our analysis for your information. Knight Ridder evaluated data from the VA's National Survey of Veterans. We discussed our methodology with the VA's survey expert, and showed her our analysis. She said the 572,000 figure was a reliable estimate, based on the survey of veterans who told interviewers they had a disability, felt it was related to their service, but had not applied for benefits. The survey comes from interview of 20,048 veterans in 2001; the sample was compared with census data and weighted by the VA to produce a reliable sample of the veteran population nationwide.)

Chairman CRAIG. Mark, thank you very much for that testimony. We thank both of you for coming before the Committee today. We appreciate it.

Senator Rockefeller, I will turn back to you if you have any opening comments this morning before we call our second panel up.

Senator ROCKEFELLER. I am obviously very disturbed by what appears now to be at least a billion-dollar-plus shortfall in veterans funding. And I am sort of focused on that right now. There are 12 important bills in the markup this morning, some of which I am associated with, and I am very much aware of them. But I am thinking, really, more about this shortfall. It is a crisis the level of which I have not seen in 21 years on this Committee.

Chairman CRAIG. We will be talking about that at a press conference at noon, the message going out to all the colleagues now, Members of this Committee, with all the detail we have at this time.

Senator ROCKEFELLER. Good.

Chairman CRAIG. Thank you. Thank you very much.

Then let me turn to our second panel, the Department of Veterans' Affairs. The Hon. Daniel L. Cooper, Under Secretary for Benefits, the U.S. Department of Veterans' Affairs, and he is accompanied by Richard Wannemacher, Jr., Acting Under Secretary for Memorial Affairs and John H. Thompson, Deputy General Counsel.

Gentlemen, thank you very much for being with us this morning. We will turn to you. Secretary Cooper, please proceed.

**STATEMENT OF HON. DANIEL L. COOPER, UNDER SECRETARY FOR BENEFITS, U.S. DEPARTMENT OF VETERANS' AFFAIRS; ACCOMPANIED BY RICHARD WANNEMACHER, JR., ACTING UNDER SECRETARY FOR MEMORIAL AFFAIRS AND JOHN H. THOMPSON, DEPUTY GENERAL COUNSEL**

Admiral COOPER. Thank you, Mr. Chairman.

Chairman Craig and Members of the Committee, I appreciate the opportunity to appear to you today to present the VA's views on several bills under consideration. I will comment on eight of the bills submitted to us for review. Unfortunately, four additional bills were received too late for us to evaluate adequately.

Chairman CRAIG. Mr. Secretary, thank you for recognizing that. As I mentioned in my opening comments, because we want to get all of these bills on the table and get them under discussion and for your analysis, as that analysis comes in we will submit that for our record and to be analyzed by us. And we thank you for that.

Admiral COOPER. I fully intend to get them to you as soon as possible, Senator.

Chairman CRAIG. Absolutely.

Admiral COOPER. I would now like to talk about several that some Members of the Committee have analyzed and talked about today, so I will skip over my notes to make sure I don't cover the same ground.

Chairman CRAIG. All right. Thank you.

Admiral COOPER. S.151 would require us to make an annual plan for outreach activities for the coming years. This is to include both plans to identify veterans who are not enrolled or registered,

and plans for informing veterans of changes to the VA benefits programs. We support enactment of S. 151.

S. 423 would amend Title 38 to make a stillborn child an insurable dependent for purposes of the servicemember's SGLI. Insuring stillborn infants under SGLI would directly benefit those servicemembers and their families who tragically experience a stillbirth by providing financial assistance at the time of need. We do support enactment of S. 423. The SGLI program would absorb the cost and there would be no new costs to our Government.

S. 551 would require us to establish a national cemetery in Colorado Springs, Colorado. Using demographic studies which we have used over the years and changed as time went by, we work to focus our efforts on areas that will serve the greatest number of veterans. Currently we use a 75-mile service area standard and a veteran population threshold of 170,000 for establishing new national cemeteries. I might add, Senator Salazar mentioned 65 miles. My notes say 75 miles. So the veterans who reside in Colorado Springs are served by Fort Logan National Cemetery, which I am informed is 65 miles away. It will have casket and cremation burial space available until 2021. We estimate that the cost for establishing a national cemetery at Colorado Springs would range from \$20 million to \$30 million, and the average annual operating cost would range from \$1 million to \$2 million. We do not support S. 551.

S. 552 would make a technical correction to Title 38. This law grants eligibility for the full \$50,000 specially adapted housing grant. Let me just add, Senator Akaka summarized this very well. The major point here is that previously we were allowed by an amendment to do the specially adapted housing while the individual was still in the service awaiting discharge. That meant that the home would, hopefully, be ready for occupancy as soon as they were discharged. That was the reason for having this provision in the law. It was, unfortunately, left out in another amendment. So we strongly support this particular amendment to correct the earlier error.

VA also supports 909, which would expand eligibility for Government grave markers. Under this bill, we would provide a marker for the grave of a veteran in a private cemetery, regardless of whether the grave had been previously marked at private expense.

S. 917 would make the Native American Direct Loan program permanent. As Senator Akaka stated, this program began as a pilot program in October 1992, and so far we have made over 450 loans to Native American veterans. It is currently set to expire in December of 2008. Discussion is ongoing with the executive branch concerning the bill. We will inform the Committee of our position within the next couple of weeks.

VA supports Section 2 of S. 1234, the Veterans Compensation Cost-of-Living Adjustments, which is strictly the COLA adjustment. Obviously, we strongly support that.

VA supports enactment of Section 2, S. 1235, which would make several changes to the Servicemembers' Group Life Insurance and VGLI insurance programs effective October 2005. Section 2(a) would require the Secretary of Defense to make a good-faith effort to notify a servicemember's spouse when the servicemember reduces the amount of his or her SGLI or designates someone other

than his or her spouse. There are potentially difficult administrative changes and we would like to work with Congress to ensure that these issues are addressed.

This bill would also increase the maximum amount of SGLI and VGLI to \$400,000. It would permit a servicemember to elect an amount in his or her SGLI by \$50,000 increments; in other words, starting at \$400,000 and coming down by \$50,000 if that is what they so desire. We support enactment of these provisions because they provide the opportunity for each servicemember to determine the proper insurance protection needs of his or her family.

Section 2(b) would extend from 1 year to 2 years the period in which a totally disabled SGLI-covered veteran can convert to VGLI. We support this provision because, as you stated, many of these people are very much involved in taking care of their disablement and don't have time to fully dedicate to financial planning. We think this is a very good recommendation and we certainly support it.

We also support Section 3 of 1235, relating to interest rate adjustments for hybrid ARMs. Currently, Ginnie Mae has not been willing to pool the hybrid ARMs when lenders want to sell them on the secondary market. We feel that this limits loans that are available to our veterans, so we very strongly support this particular adjustment.

Mr. Chairman, there are four bills that we have not had time to evaluate. One is 1138, which would authorize the placement of a monument in Arlington for the Army Ranger battalions in World War II, and we will comment on that later.

S.1252 would increase the amount of supplemental insurance available for totally disabled veterans, as Senator Akaka mentioned. We will have to come back to you on that.

S.1259 would extend the requirements for reports from the VA on the disposition of cases for equitable relief due to our administrative error. It would also provide improved benefits for the transition of members from combat zones to noncombat zones, and also for transition from service in the armed forces to civilian life. We have not had time to evaluate that and we will come back to you on that.

And finally, 1271, which is the one that Senator Murray mentioned. This will provide improved benefits for veterans who are former POWs. We still have to look at that.

Mr. Chairman, this concludes my remarks. We will be pleased to answer your questions.

[The prepared statement of Mr. Cooper follows:]

PREPARED STATEMENT OF HON. DANIEL L. COOPER, UNDER SECRETARY  
FOR BENEFITS, U.S. DEPARTMENT OF VETERANS AFFAIRS

Mr. Chairman and Members of the Committee, I appreciate this opportunity to testify today on several bills concerning important programs administered by the Department of Veterans Affairs (VA).

S. 151

S. 151, the "Veterans Benefits Outreach Act of 2005," would require the Secretary of Veterans Affairs to prepare each year a plan for VA outreach activities for the following year. This bill would require that each annual plan include VA's plans for efforts to identify veterans who are not enrolled or registered with VA for benefits or services, as well as VA's plans for informing veterans and their dependents of

changes to VA benefit programs, including eligibility for medical and nursing care and services. The Secretary, in developing an annual plan, would also be required to consult with officials of recognized veterans service organizations, officials of State and local education and training programs, representatives of non-governmental organizations that carry out veterans outreach programs, representatives of State and local veterans employment organizations, businesses and professional organizations, and other individuals and organizations that assist veterans in adjusting to civilian life. Furthermore, S. 151 would require the Secretary to take into account lessons learned from implementation of prior annual plans. Finally, S. 151 would require the Secretary to incorporate the recommendations for improvement of veterans outreach and awareness activities included in the report submitted to Congress by the Secretary pursuant to section 805 of the Veterans Benefits Improvement Act of 2004.

VA supports enactment of S. 151. Some of the outreach VA performs would be more difficult to plan, because it is in reaction to changes in statute or regulation, Congressional or media interest, or other current events; we nevertheless support enactment of this bill. We believe that no one should be deprived of an available veterans benefit because he or she did not know that such a benefit was available. Costs would be negligible.

#### S. 423

S. 423 would amend section 1965 of title 38, United States Code, to make a stillborn child an insurable dependent for purposes of the Servicemembers' Group Life Insurance (SGLI) program. The term "stillborn natural child" would not include any fetus or child extracted for purposes of an abortion.

VA supports enactment of S. 423. Insuring stillborn infants under SGLI would directly benefit those servicemembers and their families who tragically experience a stillbirth, by providing financial assistance at a time of need. This benefit would help defray medical care and burial or cremation costs incurred by a servicemember because of a stillbirth. A funeral for such a child can cost as much as \$3,000.

Private insurers do not generally insure stillborn children. In fact, private insurance coverage for a child typically does not begin until the fourteenth day after a live birth. Nevertheless, VA supports departing from the general industry practice on this issue because SGLI coverage for stillbirths would support servicemembers and their families, ease their suffering and distress during a family crisis, and improve morale.

The total cost to the SGLI program for adding stillborn coverage would be \$4 million annually based on an estimate of 400 stillbirths per year with a benefit of \$10,000 per stillbirth. The SGLI program would absorb all costs associated with implementation of S. 423. There would be no new cost to the Government.

#### S. 551

Section 1(a) of S. 551 would require VA to establish a national cemetery in the Colorado Springs, Colorado, metropolitan area. Section 1(b) would require VA to consult with Federal, State, and local officials before selecting a site for the cemetery. Section 1(c) would authorize VA to accept the gift of an appropriate parcel of real property, over which VA would have administrative jurisdiction, to be used to establish the cemetery. The property would be considered as a gift to the United States for purposes of Federal income, estate, and gift taxes. Finally, section 1(d) would require VA to report to Congress on the establishment of the cemetery, including an establishment schedule and estimated costs.

VA does not support S. 551. VA has established a veteran population threshold of 170,000 within a 75-mile radius as appropriate for establishing new national cemeteries. Veterans who reside in Colorado Springs are considered served by Fort Logan National Cemetery, which is 65 miles away. Fort Logan National Cemetery will have casket and cremation burial space available until 2021.

As required by law, VA is in the process of establishing 11 new national cemeteries. The locations for these cemeteries were determined from demographic studies of the veteran population, which allow VA to focus its efforts on areas that will serve the greatest number of veterans. The most recent demographic study of the veteran population, which was completed in 2002, did not indicate a need for a new national cemetery in Colorado.

As part of a planned comprehensive evaluation of the burial benefits and services provided to veterans and their families, VA will assess how well the current 75-mile-radius standard serves veterans. We will begin the program evaluation this year and keep Congress informed throughout the process. VA will use the findings and data from the evaluation in VA's strategic planning to improve service delivery.

The VA State Cemetery Grants program, however, is an option for providing additional burial options for veterans in the Colorado Springs area. Through this program, VA may provide up to 100 percent of the costs for establishing a State veterans cemetery, including the cost of initial operating equipment. VA recently worked with Colorado officials to establish a State veteran's cemetery in Grand Junction and would be pleased to assist the State in exploring this option for Colorado Springs.

Based on recent experience, the cost for establishing new national cemeteries ranges from \$20 million to \$35 million, and the average annual operating costs ranges from \$1 million to \$2 million.

## S. 552

S. 552 would make a technical correction to section 2101 of title 38, United States Code, as amended by section 401 of the Veterans Benefits Improvement Act of 2004, Public Law 108-454, regarding eligibility for specially adapted housing benefits. VA favors enactment of S. 552.

Section 401 of Public Law 108-454 granted eligibility for the "full" \$50,000 Specially Adapted Housing grant to veterans with a total and permanent service-connected disability as a result of the loss or loss-of-use of both upper extremities at or above the elbow. Unfortunately, section 401 also contained a technical drafting error that had the effect of repealing a recently enacted benefit.

Public Law 108-183, enacted December 16, 2003, granted eligibility for Specially Adapted Housing benefits to members of the Armed Forces who were still serving on active duty and who incurred qualifying disabilities in line of duty. That provision enabled severely injured servicemembers awaiting medical discharge to receive a VA grant to adapt their homes to meet their special needs without having to wait for their discharges to become final. In amending section 2101 of title 38, United States Code, section 401 of Public Law 108-454 inadvertently deleted the language added by Public Law 108-183. S. 552 would restore the language added to section 2101 in 2003 retroactive to the enactment of Public Law 108-454.

Enactment of S. 552 would have no significant cost impact.

## S. 909

S. 909 would expand eligibility for government markers by changing the applicability date of VA's current authority to provide a marker for the private-cemetery grave of a veteran regardless of whether the grave has been marked at private expense.

Pursuant to 38 U.S.C. § 2306(d)(1), VA is authorized to furnish a Government marker for the grave of an individual who is buried in a private cemetery, even if the gravesite is already privately marked. However, this authority extends only to individuals who died on or after September 11, 2001. S. 909 would authorize VA to furnish such markers for the graves of individuals who died on or after November 1, 1990.

VA supports enactment of S. 909. Under current law, if a veteran died before September 11, 2001, VA is authorized to furnish a Government headstone or marker only if the veteran's grave is unmarked. Although the current law has allowed VA to begin to meet the needs of families who view the Government-furnished marker as a means of honoring and publicly recognizing a veteran's military service, VA is now in the difficult position of having to deny this recognition based solely on when a veteran died.

Furthermore, the law has never precluded the addition of a privately purchased headstone to a grave after placement of a Government-furnished marker, even though this practice results in double marking. In contrast, if a private marker is placed on a veteran's grave in the first instance, a Government marker may not be provided if the veteran died before September 11, 2001. In our view, this creates an arbitrary distinction disadvantaging families who promptly obtained a private marker.

For veterans who died during the period from October 18, 1979, until November 1, 1990, when the Omnibus Budget Reconciliation Act of 1990 was enacted, VA may pay a headstone or marker allowance to those families who purchased a private headstone or marker in lieu of a Government headstone or marker. Therefore, those families also had an opportunity to benefit from the VA-marker program. S. 909 would, for the first time, permit families who bought a private marker for veterans who died between November 1, 1990, and September 11, 2001, to participate in the VA-marker program as well.

VA estimates that enactment of S. 909 would cost \$90,000 during fiscal year 2006 and \$225,000 over the 10-year period fiscal years 2006-2015. VA pays for

headstones and markers with funds from the Compensation and Pension appropriation account.

## S. 917

S. 917 would make the Native American Direct Loan program permanent. This program began as a pilot program in October 1992. VA has made over 450 loans under this program to Native American veterans. This program is currently set to expire December 31, 2008.

Discussion is ongoing within the executive branch regarding this bill. We will inform the Committee of our position as soon as possible.

## S. 1234

Section 2 of S. 1234, the “Veterans’ Compensation Cost-of-Living Adjustment Act of 2005,” would direct the Secretary of Veterans Affairs to administratively increase the rates of disability compensation for veterans with service-connected disabilities, additional compensation for their dependents, the clothing allowance, and dependency and indemnity compensation for the survivors of veterans whose deaths are service related, effective December 1, 2005. As provided in the President’s fiscal year 2006 budget request, the rate of increase would be the same as the cost-of-living adjustment (COLA) that will be provided under current law to veterans’ pension and Social Security recipients. We believe this proposed COLA is necessary and appropriate to protect the benefits of affected veterans and their survivors from the eroding effects of inflation. These worthy beneficiaries deserve no less.

We estimate that enactment of this bill would cost \$399 million during fiscal year 2006 and \$5.5 billion over the period fiscal years 2006–2015. However, because the cost is already assumed in the Budget baseline, enactment of this provision would not result in any additional cost.

## S. 1235

Section 2 of S. 1235, the “Veterans’ Benefits Improvement Act of 2005,” would, effective October 1, 2005, make several changes to the SGLI and Veterans’ Group Life Insurance (VGLI) programs. Section 2(a) would require the Secretary of Defense to make a good-faith effort to notify a servicemember’s spouse whenever the servicemember reduces the amount of his or her SGLI coverage or designates someone other than his or her spouse as a beneficiary. If a servicemember marries or remarries after making such an election, the Secretary of Defense would not be required to provide the notification. Only elections made after marriage or remarriage would be subject to the notice requirement. Failure of the Secretary of Defense to provide timely notification would not affect the validity of any election by the servicemember.

Because this bill would not extend the current law that goes into effect September 1, 2005, but instead defines a new program that would start when the current program expires on September 30, 2005, there are some potentially difficult administrative challenges that would unnecessarily burden both servicemembers and the Government. For example, married members who named a beneficiary other than a spouse or child under current law and whose spouses consented would once again have to fill out the paperwork required to designate the beneficiary, and the Government would have to notify the spouse. The Administration would like to work with Congress to ensure that these issues are addressed.

We note as well that, under 38 U.S.C. § 1968(a)(1), SGLI coverage terminates 120 days after separation or release from active duty or active duty for training, unless the servicemember is totally disabled on that date, in which event SGLI coverage terminates 1 year after separation or release from active duty or active duty for training. Also, section 1977(d) of title 38, United States Code, states that “any designation of beneficiary or beneficiaries for [SGLI] filed with a uniformed service until changed, shall be considered a designation of beneficiary or beneficiaries for [VGLI], but not for more than 60 days after the effective date of the insured’s [VGLI].” It is unclear whether the notification provision of section 2, which refers to a “member” of a uniformed service, would apply to any change in beneficiary designation that a servicemember would make within the 120-day period after discharge but prior to cessation of SGLI coverage or that a VGLI insured would make within the 60-day period referenced in section 1977(d). Also, if section 2(a) were applicable to VGLI beneficiary designations, it would be difficult to implement because the Office of Servicemembers’ Group Life Insurance does not maintain data regarding a VGLI insured’s marital status. We recommend that, if section 2(a) is enacted, it explain whether it is applicable to any change in beneficiary during these two periods of time.

Section 2(a) and (c) would increase the maximum amount of SGLI and VGLI to \$400,000. These provisions would extend the increase to \$400,000 made by section 1012 of Pub. L. No. 109-13, which will terminate on September 30, 2005. Section 2(a) would also permit a servicemember to elect an amount of SGLI less than the maximum available provided the amount of coverage on the member is evenly divisible by \$50,000, rather than \$10,000, as currently provided by law.

VA supports enactment of these provisions because they provide the opportunity for servicemembers to increase insurance protection for their families. Permitting coverage in multiples of \$50,000 would simplify the administration of the SGLI program and would align with the proposal by the Administration.

Section 2(b) would amend 38 U.S.C. § 1968(a)(1)(A) and (4) to extend from 1 year to 2 years the period in which a totally disabled SGLI insured can convert SGLI to VGLI. VA supports this provision because many totally disabled insureds cannot complete post-separation financial planning within 1 year due to the severity of their disabilities. Extending the SGLI post-service coverage period to 2 years would enable some totally disabled veterans who would be unable to obtain commercial life insurance to obtain VGLI. Extending the period would also allow VA to conduct additional outreach to totally disabled veterans and inform them about the opportunity to convert their SGLI to VGLI. There would be no cost to the Government; additional costs would be borne by the SGLI program.

Section 3 of S. 1235 contains a technical drafting error. As written, it would strike from section 3707(c)(4) of title 38, United States Code, language that does not appear in that provision. We believe section 3 was intended to amend section 3707A(c)(4) of title 38, United States Code, which pertains to Hybrid Adjustable Rate Mortgages (Hybrid ARMs).

Currently, section 3707A(c)(4) limits annual interest rate adjustments, after the first such adjustment, on Hybrid ARMs to 1 percentage point. Assuming that the amendment proposed by section 3 of the bill were made to section 3707A(c)(4) rather than section 3707(c)(4), the annual interest rate adjustment after the first adjustment on VA Hybrid ARMs could be for such percentage points as prescribed by the Secretary. VA favors such an amendment to section 3707A.

Most hybrid ARMs insured by the Department of Housing and Urban Development currently allow subsequent annual interest rate adjustments in excess of 1 percentage point. Because VA Hybrid ARMs are limited to 1 percentage point, the Government National Mortgage Association (also known as "Ginnie Mae") has not been willing to pool VA Hybrid ARMs. That has limited the availability of VA Hybrid ARMs. VA believes that veterans using their earned housing loan entitlement should have access to the same financing alternatives, such as Hybrid ARMs, that are available under Federal Housing Administration and conventional loan programs.

S. 1138, S. 1252, S. 1259, S. 1271

Unfortunately, we did not receive the text of S. 1252, the "Disabled Veterans Insurance Improvement Act," S. 1259, the "Veterans Employment and Transition Services Act," or S. 1271, the "Prisoner of War Benefits Act of 2005," in time to be able to state our views on those bills. We will be happy to provide the Committee with official views and estimates once the necessary executive branch coordination has been completed. S. 1138, a bill to authorize placement in Arlington National Cemetery of a monument honoring veterans who fought in World War II as members of Army Ranger Battalions, was also recently added to the hearing agenda. We will provide our comments on this bill to the Committee after completing necessary executive branch coordination.

#### ADDENDUM TO PREPARED STATEMENT

As requested at the June 23, 2005, legislative hearing before the Senate Committee on Veterans' Affairs, I am pleased to provide the views of the Department of Veterans Affairs (VA) on those bills for which we did not previously submit comments, including: S. 917, a bill to make permanent the pilot program for direct housing loans for Native American veterans; S. 1138, a bill to authorize placement in Arlington National Cemetery of a monument honoring veterans who fought in World War II as members of Army Ranger Battalions; S. 1252, the "Disabled Veterans Insurance Improvement Act of 2005;" S. 1259, the "Veterans Employment and Transition Services Act;" and S. 1271, the "Prisoner of War Benefits Act of 2005." VA's views on each of these bills are discussed below. To the extent that VA supports enactment of aspects of these bills that have cost implications, it is assumed that the costs would be accommodated within the scope of the President's budget request.

## S. 917

This bill would make the Native American Direct Loan program permanent. Under this program, which was enacted as a pilot program in October 1992, VA has made over 450 loans to Native American veterans living on trust lands. This program is currently set to expire on December 31, 2008.

VA believes the Native American Direct Loan program has proven to be a viable benefit which provides financing to a unique class of veterans residing in areas where private funding is not generally available. VA looks forward to working with the Congress to extend this program. We are advised, however, that the Department of Justice has some constitutional concerns. We would be pleased to work with the Committee staff and the Department of Justice to address those issues and develop legislation that the Administration can support.

VA estimates that enactment of S.917 would produce a first-year discretionary saving of \$708 thousand and a 10-year discretionary saving of approximately \$23 million.

## S. 1138

S. 1138 would amend section 2409 of title 38, United States Code, to authorize the Secretary of the Army to place in Arlington National Cemetery a monument honoring the veterans who fought in World War II as members of Army Ranger Battalions. The Secretary of the Army would have exclusive authority to approve an appropriate design and site within Arlington National Cemetery for the monument.

Because the Secretary of the Army, not VA, administers Arlington National Cemetery, we defer to the views of the Secretary of the Army on S. 1138.

## S. 1252

S. 1252, the "Disabled Veterans Insurance Improvement Act of 2005," would amend section 1922A of title 38, United States Code, to increase from \$20,000 to \$40,000 the amount of supplemental life insurance available to veterans who are insured under Service-Disabled Veterans' Insurance (S-DVI) and who qualify for waiver of premiums due to total disability. Under current law, a veteran who has a service-connected disability but is otherwise in good health may obtain up to \$10,000 of S-DVI by applying to VA within 2 years from the date of being notified that the disability is service connected. 38 U.S.C. §§ 1903, 1922(a). VA may, upon application of an insured veteran, waive the payment of premiums during a period of continuous total disability. 38 U.S.C. §§ 1912(a), 1922(a). Section 1922A currently provides up to \$20,000 of supplemental insurance to a disabled veteran who: (1) has basic S-DVI coverage; (2) has obtained a waiver of premiums on this coverage because he or she is totally disabled; and (3) applies to VA for the supplemental S-DVI coverage within 1 year of being notified by VA that he or she is entitled to waiver of premiums. 38 U.S.C. § 1922A(a) and (b). Waiver of premiums is not available on the supplemental coverage. 38 U.S.C. § 1922A(d).

By increasing the amount of available supplemental S-DVI to \$40,000, S. 1252 would address a major concern of veterans, as shown by the congressionally-mandated study, Program Evaluation of Benefits for Survivors of Veterans with Service-Connected Disabilities. This study indicated that veterans were least satisfied with the maximum insurance available and that veterans deem the need for increased coverage to be most important. In our view, the current aggregate S-DVI coverage of \$30,000 is insufficient to meet disabled veterans' life insurance needs. S. 1252 would increase the financial security of disabled veterans by affording them the opportunity to purchase additional life insurance coverage otherwise not available to them. Accordingly, VA supports S. 1252.

S. 1252 does not specify its scope of applicability, but we interpret it to apply prospectively to any veteran who is eligible to apply for and obtain supplemental S-DVI under section 1922A, or to change the amount of supplemental S-DVI coverage previously obtained, on or after the date of S. 1252's enactment. Based on this interpretation, VA estimates that the additional coverage provided by S. 1252 would cost \$2.6 million over the 5-year period fiscal year 2006 through fiscal year 2010 and \$9.5 million over the 10-year period fiscal year 2006 through fiscal year 2015.

## S. 1259

Section 2 of S.1259, the "Veterans Employment and Transition Services Act," would amend section 503(c) of title 38, United States Code, to extend from December 31, 2004, to December 31, 2009, the requirement that the Secretary of Veterans Affairs annually report to Congress on the disposition of cases recommended to the Secretary for equitable relief.

VA estimates that there would be no new cost to the Government associated with enactment of this provision. Accordingly, VA does not object to section 2 of S. 1259.

Section 3(a) of S. 1259 would amend title 10, United States Code, to require the Secretary of Defense and the Secretary of Homeland Security to carry out a program to facilitate the access of representatives of military and veterans' service organizations and of representatives of State military and veterans' service agencies to provide pre-separation counseling and services to servicemembers who are scheduled for discharge, release from active duty, or retirement. Section 3(b) of S. 1259 would amend chapter 17 of title 38, United States Code, to require VA to carry out a program to facilitate the access of the same representatives to veterans who are furnished care and services under chapter 17, to provide information and counseling on benefits and services available from VA. VA would have to facilitate access at every VA and non-VA facility at which VA furnishes medical care and services. VA would be authorized to waive provisions in regulations promulgated under section 264(c) of the Health Insurance Portability and Accountability Act of 1996 that restrict access to veterans, to the extent necessary to ensure the access to veterans. Access to a veteran under the program would be subject to the veteran's consent.

Because the amendments to be made by section 3(a) would concern only the departments of Defense and Homeland Security, we defer to the views of the secretaries of those departments on that provision.

VA opposes section 3(b) of S. 1259 for two reasons. First, an additional new outreach program of this type is not needed. Representatives from veterans' service organizations or State veterans agencies already have access to veteran patients whenever veterans request their services. Indeed, representatives from State programs and national veterans' service organizations typically have offices in VA medical centers and VA regional offices and can provide outreach services to veterans at other VA facilities, including community-based outpatient clinics. Additionally, each VA clinic displays information on how to obtain assistance from a veterans' liaison as well as representatives from veterans service organizations and State veterans programs. Second, VA objects to permitting VA to waive certain provisions in regulations promulgated under the Health Insurance Portability and Accountability Act. The safeguarding of personal health information has long been paramount for staff at VA facilities. VA strictly confines access to veterans' personal health information to those who need to know the information. For example, VA gives caregivers access to patient records that facilitate their treatment and care of patients. However, not all facility employees have access to veterans' records. Potentially allowing some degree of access to non-VA employees, as section 3(b) apparently contemplates, may confuse all involved. Accordingly, VA objects to section 3(b) of the bill. VA estimates that there would be no new costs associated with the amendments proposed by section 3(b) since the outreach services contemplated by this section are already available.

Section 4 of S. 1259 would amend title 10, United States Code, to require the secretary of each branch of the Armed Forces to improve pre-separation counseling and transitional assistance provided to servicemembers who are eligible to separate from service.

Because section 4 concerns only the Armed Forces, we defer to the views of those departments on section 4 of S. 1259.

#### S. 1271

Section 2(a) of S. 1271, the "Prisoner of War Benefits Act of 2005," would amend section 1112 of title 38, United States Code, to eliminate the requirement currently in section 1112(b)(1)(B) that a veteran have been detained or interned as a prisoner of war (POW) for at least 30 days to be entitled to a presumption of service connection for the diseases listed in section 1112(b)(3). Section 2(a) would also add four diseases to the list of diseases in section 1112(b) that may be presumed to be service connected for former POWs. Those additional diseases are heart disease, stroke, diabetes (type 2), and osteoporosis.

Section 2(b) of S. 1271 would authorize the Secretary to establish a presumption of service connection for former POWs for any disease for which VA has determined, based on sound medical and scientific evidence, that "a positive association exists between the experience of being a [POW] and the occurrence of [the] disease in humans." Section 2(b) would also require VA to issue certain regulations and, in determining Advisory Committee on association exists, to Prisoners of War consider recommendations from the any other relevant scientific information.

Just a few years ago, section 1112(b) limited the presumption of service connection for specified diseases associated with POW experience to veterans who were former POWs and were detained or interned for not less than 30 days. However,

section 201 of the Veterans Benefits Act of 2003, Pub. L. No. 108-183, §201, 117 Stat. 2651, 2656, eliminated the 30-day requirement for psychosis, any anxiety state, dysthymic disorder, organic residuals of frostbite, and post-traumatic osteoarthritis. In implementing that amendment in its regulations, VA noted that the diseases that remained subject to the 30-day requirement, such as diseases associated with malnutrition, are generally incurred over a prolonged period of internment. Interim Final Rule, Presumptions of Service Connection for Diseases Associated with Service Involving Detention or Internment as a Prisoner of War, 69 Fed. Reg. 60,083, 60,088 (2004). Nevertheless, because heart disease and stroke could be associated either with malnutrition during prolonged captivity or with stress due to torture or abuse, which can occur during brief periods of captivity, VA added heart disease and stroke to the regulatory list of diseases that do not require at least 30 days of detention or internment to be presumed incurred in service in a former POW. Id. This illustrates VA's belief that there should be no generally applicable minimum detention or internment requirement, but that such a requirement may be appropriate for certain diseases if the evidence indicates that they are associated only with prolonged captivity. Accordingly, VA supports elimination of the arbitrary 30-day minimum internment requirement, provided that VA retains authority to impose a minimum period of detention or internment for certain diseases if such minimum period is adequately supported by sound scientific or medical evidence.

Having determined that sound medical or scientific evidence supports an association between atherosclerotic heart disease or hypertensive vascular disease (including hypertensive heart disease) and their complications (including myocardial infarction, congestive heart failure, and arrhythmia) and POW internment and a positive association between stroke and its complications and POW internment, VA added those diseases to the regulatory list of diseases presumed service connected in a former POW. Id. at 60,085-87, 60,090. Therefore, VA supports section 2(a) of S. 1271 to the extent that it codifies VA's existing regulations concerning heart disease and stroke. However, VA is not aware of any sound scientific or medical evidence of a positive association between type 2 diabetes or osteoporosis and internment as a POW. Accordingly, at this time, VA opposes the provisions in section 2(a) of S. 1271 that would establish presumptive service connection for type 2 diabetes and osteoporosis.

Based on the amendments that would be made by section 2 of S. 1271, VA estimates that approximately 2,400 former POWs and 1,168 surviving spouses of former POWs would be affected by this legislation and apply for benefits. Assuming a 100-percent grant rate, we further estimate that benefit costs would be \$6.5 million in the first year, \$102.2 million for 5 years, and \$223.1 million for 10 years. Administrative costs are estimated to be an additional \$765,000 during the first year and \$1.6 million for 5 years.

VA opposes the procedure in section 2(b) of S. 1271 for establishing presumptive service connection for diseases associated with POW internment. Regulatory procedures for identifying diseases associated with POW internment already exist. Pursuant to the Secretary's authority in section 501(a) of title 38, United States Code, to prescribe all rules and regulations necessary or appropriate to carry out the laws administered by VA, including regulations with respect to the nature and extent of proof and evidence and the method of taking and furnishing them in order to establish the right to benefits, VA promulgated regulations establishing a new procedure for establishing POW presumptions. 69 Fed. Reg. 60,083. This procedure, which is codified at 38 C.F.R. § 1.18, is substantially similar to existing procedures for the herbicide, Gulf War, and radiation presumptions, with minor differences necessary to reflect considerations unique to former POWs. VA's establishment of presumptive service connection for heart disease and stroke, which was done under VA's regulatory procedure, demonstrates that the new procedure is effective.

The proposed amendments would require VA to issue various regulations in response to recommendations received from the Advisory Committee on Former Prisoners of War. Under 38 U.S.C. § 541(a)(2), the Committee comprises former POWs, disabled veterans, and health care professionals. Under current law, the Secretary must regularly consult with the Committee and seek its advice on the compensation, health care, and rehabilitation needs of former POWs. 38 U.S.C. § 541(b). Not later than July 1 of each odd-numbered year through 2009, the Committee must submit to the Secretary a report recommending, among other things, administrative and legislative action. 38 U.S.C. § 541(c)(1). The procedure outlined in section 2(b) of S. 1271 would require the Secretary to make a decision regarding the appropriateness for a presumption within 60 days of receiving a Committee recommendation, issue proposed regulations within 60 days following that decision, and issue a final rule within 90 days of issuing the proposed rule. This procedure is similar to the procedure that Congress established for herbicide and Gulf War presumptions, both

of which generally concern VA rulemaking following the receipt of a report from the National Academy of Sciences. See 38 U.S.C. §§ 1116, 1118. However, unlike the herbicide and Gulf War procedures, S. 1271 would require strict guidelines for rulemaking in response to Committee recommendations which do not provide a thorough scientific review and analysis upon which to establish presumptions. Under current 38 C.F.R. § 1.18, the Secretary may contract with the appropriate expert body, such as National Academy of Sciences' Institute of Medicine, for the necessary analysis of current science. We believe this regulation provides a more scientifically sound basis for creation of presumptions than that contemplated by S. 1271.

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

Chairman CRAIG. Thank you very much for covering that many issues in a reasonably succinct period of time.

Your testimony rightly points out the difficulty we have with respect to the SGLI program in that the changes in the Emergency Supplemental Act go into effect for only 30 days, from September 1 to September 30, 2005. Is it your position that Congress must act on the SGLI provisions of S. 1235 prior to the September 2005 in order to avoid some of the difficulties you outlined in your testimony?

Admiral COOPER. Yes, sir, that is—I have my insurance guru over here—but yes sir, that is correct. You are correct.

Chairman CRAIG. Thank you. I have attempted to strike a balance between the rights of spouses to be informed of insurance decisions and the right of the servicemembers to make those decisions through my spousal notification language in S. 1235. Does my legislation strike an appropriate balance? Does it improve upon the notification and consent provisions that were in the supplemental appropriations act?

Admiral COOPER. I think it does improve upon those, yes, sir. I think it probably strikes the right balance, predicated on the fact that the veteran is only going to have to notify or try to notify if he or she remarries or marries after the original designation. I think as originally set up—I will tell you frankly, I supported the original idea of having notification, but then I realized a lot of things have changed since I got married. And so as a result, I think that the way you have stated it does strike a good balance, yes, sir.

Chairman CRAIG. Well, we sensed some difficulties in that, looked at it in kind of the practical light of realism and said, "How do we get there?" So thank you for reacting to it. We appreciate that.

S. 1235 would extend for an additional year the opportunity totally disabled veterans have to convert their insurance coverage from the SGLI to the VGLI after separation from service. If enacted, what is VA prepared to do during this additional year to identify and encourage veterans to take advantage of this new conversion right?

Admiral COOPER. I think our focus would be on notification. We send letters to these people, letting them know they have the right to convert. And I think we do it at the 6-month point also. We would continue to do it just to ensure that they are notified.

I don't think there is a large percentage of veterans who are not notified. I am not sure, but it is certainly something that we would do to ensure that they did get as much notification as possible.

Chairman CRAIG. S. 151 would compel VA to prepare an annual plan for the conducting of outreach activities during the next fiscal

year. It seems to me that this is the sort of thing that VA managers would be doing already. Am I correct to think that VA already does this? Does VA need to be compelled by legislation to do this basic planning for outreach activities? Tell us where you are with current law and current practice.

Admiral COOPER. One of the things that we have attempted to do and to increase, particularly over the last several years, is to reach people as they are discharged. Working through the JEC with the Department of Defense, we have set up a means by which most people attend TAP and DTAP briefings. Same thing with National Guard and Reserves. We are working with DOD to see whether they will make attendance mandatory. And we also have various notifications by mail.

You can never say that you are doing enough. However, we are doing a tremendous amount. In each of the last 3 years, we have increased by a very large percentage the number of veterans we are reaching. We are trying to do it as they come out, so they know about their benefits right away. We are trying to do notifications even before they come out for such things as the Montgomery GI Bill. Similarly, when people are released with disabilities, we are making sure that they are immediately aware of our vocational rehabilitation and employment program.

So the answer to your question is, we are working very hard. I have statistics here that look very good. You could always do more. I would hesitate to say to you that we need this bill to do it; we are trying to do it every way we can. We have said we support the bill.

Chairman CRAIG. Well, Mr. Secretary, thank you very much for those comments and your testimony and your colleagues' presence here this morning.

Let me turn to Senator Akaka for his questions.

Senator AKAKA. Thank you. Thank you very much, Mr. Chairman. Admiral Cooper, I read in your written testimony that there is discussion within the executive branch regarding my bill, S. 917, which would make the Native American Direct Loan program permanent. CBO has informed my staff that whether the funding for this program continues as discretionary or becomes mandatory, that the program will continue to be a saver for the foreseeable future and if made mandatory, the program will not need an additional appropriation. That is from CBO.

Given this assurance, what is your view of my bill?

Admiral COOPER. I would like to do two things. First, let me tell you, we have supported it and our Loan Guaranty program has used it and used it very well. I think it is not a monetary discussion. And of course, the other thing that provides a safety net is the fact that the pilot program now in operation does not expire until December 2008. Therefore, I was not overly concerned when I was told we couldn't take a position yet.

But I would like my general counsel to make a statement because I think he has followed it better than I.

Mr. THOMPSON. Yes, Senator. We don't have yet all the particulars about the various discussions going on across the park from where we work, but we understand there may be a concern about the appropriateness of some of the current definitional provisions

for the program. It sounds as if we will be able to get back to you very shortly giving the Administration's position on the bill. I would point out that there really is no great rush on this. The program is authorized through 2008 and, you know, the Department has every intention of following through to implement the program, but we just don't yet have a cleared official position we can share.

Senator AKAKA. Admiral Cooper, I direct this question to you because of my past experiences in this program and in outreach. Will you explain the ongoing outreach efforts that VA is undertaking to expand eligibility for Native American Home Loan program by entering into more memorandums of understanding with different tribes?

Also, what outreach effort has VA engaged in to increase awareness of this program in the Native American community?

Admiral COOPER. Could I ask—I have my Loan Guaranty expert here, too, and I think he can discuss it in more depth than I. Mr. Pedigo. But let me tell you that we have worked MOUs with a large percentage of the tribes. And of course we have to have this MOU, then, to go on. But we have also done a good bit of outreach with people—going out to the tribes, talking to them, explaining to them what benefits are available.

But if I could have Mr. Pedigo talk for a minute, I would appreciate it.

Senator AKAKA. Please.

Mr. PEDIGO. Mr. Chairman, Senator Akaka, we have a very active program of trying to promote the Native American Direct Loan program. We have designated Native American Direct Loan representatives in each of our nine regional loan centers, and their responsibility is to make contact with all of the Native American tribes within their jurisdiction to make sure that they are aware of this program and to work with those tribes to try to establish memoranda of understanding, which is a requirement of the law before we can make loans.

Now, as you are aware, this program has been most successful in Hawaii, on the Hawaiian homelands, as well as American Samoa, Guam, and the Northern Mariana Islands. And that is a testament to the very aggressive promotion that the Honolulu Regional Office has provided for this program.

Unfortunately, there are some inhibiting factors in Indian country that have prevented us from making a lot of loans. Ninety percent of the loans that have been made in this program have been made in Hawaii and American Samoa. The problem in Indian country is that generally the income of the Native American veterans who apply in Indian country is not sufficient to support the loan. We are trying to work to resolve that problem, but essentially it is out of our control.

Senator AKAKA. I thank you so much for your response. Thank you very much for mentioning Hawaii. I was one that brought that program on, and I must tell you it has been successful. And in looking at the other Native American areas, I discovered that the numbers were low. But you are explaining partly why it is low. And of course, we want to make it available to all and try to work toward that. So, Mr. Pedigo, I really appreciate your comments and also Mr. Secretary.

Chairman CRAIG. In relation to this, Danny, may I ask the question—I think I know the answer, but—In Indian country, is the difficulty fee simple title?

Mr. PEDIGO. That is not a difficulty because, the way the program was structured, it is designed to allow the VA to make loans on Trust land. So the law itself—

Chairman CRAIG. What is the difficulty? You said there were some institutional impediments.

Mr. PEDIGO. The primary difficulty is lack of income among the veterans who apply from Indian country. There are some other problems, such as lack of appropriate infrastructure on some of the reservations and bad credit among some of the veterans.

Senator AKAKA. So my follow-up question on that is are those Native Americans aware of these problems?

Mr. PEDIGO. We believe that most of them are aware of the problems. Our local representatives deal with them and try to resolve these problems when they come up, but I believe that those who have entered into memoranda of understanding are aware of the inhibiting factors on their reservations.

Senator AKAKA. My time has expired, Mr. Chairman.

Chairman CRAIG. Danny, thank you very much.

Senator Salazar, Ken.

Senator SALAZAR. Thank you very much, Mr. Chairman.

Admiral Cooper, let's go first to the Colorado Springs cemetery legislation that Senator Allard and I have offered, Senate Bill 551. My question to you is this: I understand, and you are correct that the 75-mile limitation which has been a part of the VA's analysis with respect to the location of a new national cemetery is part of the way that you approach these issues. If there is a site that we can locate for you that is further than 75 miles away from Fort Logan—Fort Logan is way up in Denver to the north, you have Monument Pass on the way—would that make a difference in your analysis?

And let me just ask the second question so we can cover this whole issue in response. The second question is—I recognize the capital costs that are associated with the \$21 million that you talked about in terms of creation of a new hospital and the ongoing maintenance and operations—Is there a precedent for putting together a public-private kind of partnership to be able to fund these things and would that be helpful? If I could find contributors that would provide some of the private money to make the national cemetery a reality, is that something that would be a factor at all in your consideration of this possibility?

Admiral COOPER. I would like to refer the question to the Under Secretary for Memorial Affairs, since he is the one that works with this.

Senator SALAZAR. Thank you, Admiral Cooper.

Mr. WANNEMACHER. Senator Salazar, to go back to the first question, the policy that we have developed, the 75-mile service area and the 170,000-veteran population threshold allows us to reach, currently, 75 percent of the veterans population, and our goal by 2010 is 90 percent. This is a result of a partnership—

Senator SALAZAR. A hundred—excuse me. If I may—

Mr. WANNEMACHER. A hundred and seventy thousand veterans.

Senator SALAZAR. The 170,000 veterans, explain that criteria for me. What does that mean?

Mr. WANNEMACHER. Within a 75-mile service area.

Senator SALAZAR. Within a 75-mile radius of the location. OK.

Mr. WANNEMACHER. To meet our goal of 90 percent by 2010, we rely on the States to utilize the State Cemetery Grants Program. Which allows us to assist States in those areas that don't meet the established criteria of 170,000-veteran population threshold within 75 miles. The State of Colorado has participated in the State Cemetery Grants Program for the creation of the Veterans Memorial Cemetery of Western Colorado. In regards to your question about the private-public partnership opportunities, the State must furnish the land and then the State Cemetery Grants Program would be able to work with the State to establish a State Veterans Cemetery.

But I want to also mention to you that regarding the 75-mile service area criteria and the 170,000-veteran population threshold, we are going to undertake a study to see if these are truly serving veterans. We realize that the Pike's Peak region and the large military community of that area merits us looking at our national policy, but also that cemetery itself.

Senator SALAZAR. Well, I very much appreciate it and I look forward to working with you on the different alternative approaches. I know I sent a letter both to you and to Secretary Nicholson on this subject.

Mr. WANNEMACHER. Right. We responded earlier this month.

Senator SALAZAR. I appreciate that very much.

Let me quickly move over to Senate Bill 1259, the transition bill that we have put in front of you. I know you haven't had a chance to study it and you haven't had a chance to evaluate it, but the essence of trying to get the VSOs more involved with us in helping us accomplish what I think we all agree is a lot of—to have transition for our veterans, I want you very much to take that goal into account because I think it is something that the VSOs are very supportive of and I think it is a bill that would provide some significant benefits to our veterans. As you look at it under your analysis, I would appreciate you taking a very thoughtful look at it, and I look forward to your response on that.

Admiral COOPER. Sure.

Senator SALAZAR. Thank you very much.

Thank you, Mr. Chairman.

Chairman CRAIG. Well, Ken, thank you very much.

With additional testimony from you coming in on legislation that you have not yet had the opportunity to look at, we also may respond in writing with questions to you specific to your testimony. So we appreciate that relationship.

Again, Admiral, thank you very much for being with us this morning. Mr. Thompson, Mr. Wannemacher, thank you.

Senator AKAKA. Mr. Chairman, may I ask—

Chairman CRAIG. Certainly. Just a moment, if you would, please. Senator Akaka has some additional questions.

Senator AKAKA. I want to first thank Senator Salazar for his transition legislation. He has been an active participant on the Committee and listened to our panels of servicemembers talk about

their needs as they transition from military to civilian life. He has looked at the needs of servicemembers in his State and presented legislation that attempts to ensure a seamless transition that we talk about in this Committee for those exiting the military, by making certain that VSOs have access to servicemembers who may need their services.

So my quick question to you, Admiral Cooper, is can you mention something or talk about VA's inclusion of VSOs in the transition process?

Admiral COOPER. We work with the VSOs. The VSOs, of course, and I can merely speak on the VBA side—are in each of our regional offices. Three or four of the VSO organizations, as many as six, will be at each one of the regional offices. We are working with them on a daily basis. We certainly welcome their ideas. I try to meet with the ones here in Washington on an occasional basis.

I don't know—if you could be a little bit more definitive, I would be glad to address specific things. But again, I would say to you, I think we have a pretty good relationship with VSOs. I talk to them when I go out to each of our regional offices and I try to get them together just to make sure that we are doing things right. Our regional office directors, I think, have each been very, very understanding to work with the VSOs to ensure we are doing things well. And even a couple of offices where we have had some problems, I in fact think the VSOs and we are working very well together.

But I would certainly be willing to listen to anything that they would suggest.

Senator AKAKA. Thank you very much.

Admiral COOPER. I will be glad to answer any specifics, but that is about the most general answer I can give you.

Senator AKAKA. Thank you so much for being here, your responses, and that of your staff as well.

Admiral COOPER. Thank you.

Senator AKAKA. I have other questions I will submit.

Thank you, Mr. Chairman.

Chairman CRAIG. Danny, thank you very much. Gentlemen, thank you.

Now let me call our third panel up, and of course that is the veterans services organizations. We truly appreciate their presence today. Gentlemen, thank you for being with us. We have Steve Smithson, Assistant Director, Veterans Affairs and Rehabilitation, the American Legion; Quentin Kinderman, Deputy Director, National Legislative Service, Veterans of Foreign Wars; Rick Surratt, Deputy National Legislative Director, Disabled American Veterans; Mr. Carl Blake, Associate National Legislative Director, Paralyzed Veterans of America; and Richard Jones, National Legislative Director for AMVETS.

Steve, we will start with you and work our way across. Again, thank you all for being here.

**STATEMENT OF STEVE SMITHSON, DEPUTY DIRECTOR,  
VETERANS AFFAIRS AND REHABILITATION, THE AMERICAN  
LEGION**

Mr. SMITHSON. Mr. Chairman and Members of the Committee, I appreciate the opportunity to appear before you this morning to offer the American Legion's views on the numerous benefits bills, being considered by this Committee.

The American Legion is generally pleased with the intent of these bills currently before the Committee. Each bill is addressed individually in my written testimony, and I ask that it be entered into the record.

Due to the time constraints this morning, I am going to limit my oral remarks to S. 1271, the Prisoner of War Benefits Act of 2005, as we received the text of this bill after submitting our written statement to the Committee.

As noted in our testimony, there are additional bills that we have not had time to analyze and we will submit for the record on a later date.

S. 1271 would repeal the current requirement in Title 38 U.S.C. that an individual had to have been detained or interned for a period of not less than 30 days in order to be entitled to presumptive service connection for certain prisoner of war disabilities. This bill would also expand the list of prisoner of war diseases presumed to be service connected currently set forth in Title 38, U.S.C. Section 1112(b), to include heart disease, stroke, diabetes type 2, and osteoporosis. It would also specifically authorize the Secretary of Veterans Affairs to create regulations adding or deleting diseases enumerated in Section 1112(b) on the basis of sound medical and scientific evidence, to include the recommendations from VA's Advisory Committee on Former Prisoners of War.

The issue of the welfare and well-being of those veterans who have endured the hardship and trauma of being held as prisoners of war has long been one of the major concerns of the American Legion. We have actively supported improvements and benefits provided to these individuals and their survivors, and we are pleased to support the addition of four conditions specified in this bill to a list of those currently presumed to be service connected.

It is hoped that this legislation will provide the impetus for action to further broaden the list of presumptive diseases and disabilities which former prisoners of war are known to suffer from. Toward this end, we are encouraged that the bill recognizes and emphasizes the important role played by VA's Advisory Committee on Former Prisoners of War. This group of esteemed individuals, many of whom are themselves former POWs, provide the necessary mechanism and forum to evaluate the scientific and medical studies on former POWs to make appropriate recommendations to the Secretary regarding needed changes in VA's outreach, benefits, and medical care program for this community of veterans.

Additionally, the American Legion has long supported the elimination of the arbitrary 30-day requirement for internment. Studies have shown that there can be long-lasting and diverse health effects resulting from even a relatively short period of confinement as a prisoner of war. Such findings are especially important considering the nature of today's warfare and the rather short period of

confinement many American POWs have faced during the post-Vietnam era.

This bill represents a solid step toward ensuring that former POWs receive the compensation and medical care they are clearly entitled to. However, in addition to those diseases that would be presumed service-connected, the American Legion recommends that the list also include chronic pulmonary disease where there is a history of forced labor in mines during captivity and generalized osteoarthritis, as differentiated from the currently listed disability of post-traumatic osteoarthritis.

Mr. Chairman, the American Legion once again thanks you for the opportunity to present the views of our 2.8 million members. It is our position that while the legislation currently before the Committee tries to fix the many challenges facing the Department of Veterans Affairs and its mission to provide compensation and other benefits, they do not fix the overall problem with VA. Until adequate funding is provided to implement the various programs affected by the proposed legislation, VA will continue to struggle to provide benefits in a fair and timely manner. The Congress must do all it can to ensure that the proper financial support is available for the VA to institute the many long-awaited and needed changes being discussed today.

The American Legion looks forward to working with the Committee on these important issues.

That concludes my testimony.

[The prepared statement of Mr. Smithson follows:]

PREPARED STATEMENT OF STEVE SMITHSON, DEPUTY DIRECTOR, VETERANS AFFAIRS  
AND REHABILITATION, THE AMERICAN LEGION

The American Legion appreciates this opportunity to express our views on the many important bills being considered today by the Committee. We applaud the Committee for holding hearings on these vital issues.

S. 1234, "TO PROVIDE A "COST-OF-LIVING" INCREASE, EFFECTIVE DECEMBER 1, 2005, IN COMPENSATION, AND INDEMNITY AND COMPENSATION, AND OTHER RATES."

The American Legion supports this annual cost-of-living adjustment in compensation benefits, including for Dependency and Indemnity (DIC) recipients. It is imperative that Congress annually considers the economic needs of disabled veterans and their survivors and provide an appropriate cost-of-living adjustment in their benefits.

S. 1235, "THE VETERANS BENEFITS IMPROVEMENTS ACT OF 2005"

*Section 2*

Codify, in whole or part, scheduled-to-expire \$250,000 increase in SGLI benefits.—The Act serves to make permanent the \$150,000 insurance increase in the Servicemembers Group Life Insurance (SGLI) program from the current \$250,000 coverage to a maximum of \$400,000 already embodied in Public Law 109-13 signed by the President on May 11, 2005, but which has a termination date of September 30, 2005. The American Legion supports this increase as being an enhancement that brings the SGLI benefit more fully in line with the current economic needs of military families who suffer the loss of one who is in most cases their primary provider. The American Legion also views as in the best interests of the insured the Act's provision for requiring any lesser amounts of coverage elected by servicemembers to be only in increments of \$50,000, rather than the previous \$10,000. This change provides an incentive to make as great a use of the insurance benefit as possible in times of national emergency such as these.

Extend and modify certain other SGLI modifications in the Supplemental Appropriations Act.—A further provision of this Act requires the Secretary of Defense to notify the insured's spouse should the insured at any time take action to either reduce the amount of coverage or to name a beneficiary other than the insured's

spouse. This is not in the best interests of the insured AND does not earn the support of The American Legion. It has historically been the position of The American Legion that this type of insurance benefit is a special contract between the servicemember or veteran and the Federal Government, is a matter personal and sacrosanct to those who serve or have served the Nation in uniform, and that an insured's beneficiary information should not be released to third parties without the consent of the insured. We would support a change in the proposed Act to this end, so long as beneficiary changes remain a matter of confidence between the insured and the government.

Extend to 2 years the timeframe within which discharged disabled veterans may convert their SGLI coverage into Veterans Group Life Insurance coverage.—The Act's proposal to extend to 2 years, from the present 1 year, the premium free period for totally disabled servicemembers in their initial coverage under the Veterans Group Life Insurance (VGLI) program, the program that enables them to directly continue their in-service coverage after leaving active duty, is acceptable to The American Legion. These veterans who leave service in such a disabled condition require as much time as possible to rehabilitate themselves to civilian life in many ways to include the financial, and this provision would ease their monetary burden of premium payments for a period more reasonable in consideration of their service disabled conditions.

### Section 3

Modify standards for "hybrid-ARM" adjustable rate home mortgages that VA will guarantee.—The American Legion is advised that Section 3 of S. 1235 contains a technical drafting error. As written, this bill would strike certain language from section 3707(c)(4) of title 38, United States Code, which does not appear in that section. The American Legion defers comment on this section and requests the Committee to allow us to submit for the record when corrected.

#### S. 917, "A BILL TO MAKE PERMANENT AN EXISTING "PILOT" PROGRAM OF DIRECT HOME LOANS TO NATIVE AMERICAN VETERANS"

This legislation amends Title 38, United States Code, to make permanent the 1992 pilot program for direct housing loans to Native American veterans residing on trust lands. The American Legion supports the purpose of this loan program to give Native American veterans an opportunity to purchase, construct, or renovate homes on trust lands. The American Legion applauds the success this program has had in ensuring that qualified Native American veterans have the opportunity to purchase homes on trust land. Before this pilot program was implemented, commercial home loan institutions would not give individuals home loans on trust lands because of the unique relationship between the trust land and the Federal Government. The Government actually owns the land, but will lease the land to Native Americans for an extended period of time. However, with VA currently having the authority to make direct loans to Native Americans, there is no need to have commercial lending institutions involved in the lending process. Since the pilot program's inception, over 468 loans have been disbursed, resulting in a sharp rise of homeownership within the Native American veteran community. By making this program permanent and with continued outreach efforts by VA to the Native American veterans community, the number of home loans made to Native American veterans will continue to increase in the coming years.

#### S. 552, "A BILL TO MAKE TECHNICAL CORRECTIONS TO THE VETERANS BENEFITS IMPROVEMENTS ACT OF 2004"

The American Legion has no position or comment on this legislation.

#### S. 1252, "THE SERVICE-DISABLED VETERANS INSURANCE IMPROVEMENT ACT"

As this legislation was not timely available to us, The American Legion defers comment and respectfully requests the Committee to allow us to submit for the record when text of the legislation is available.

#### S. 151, "THE VETERANS BENEFITS OUTREACH ACT OF 2005"

This legislation requires VA to prepare an annual plan for outreach activities for the following year to include; identification of veterans not enrolled or registered with VA for benefits or services, plans to inform veterans and their dependents of modifications to VA benefits and services, and consultation with veterans service organizations, State and local education, training and employment agencies and other concerned organizations. Further required is an assessment of previous outreach plans and incorporation of recommendations to improve outreach and awareness ac-

tivities. Except for veterans of operations Iraqi Freedom and Enduring Freedom, VA's outreach activities to veterans have been minimal, especially regarding healthcare benefits. The American Legion supports this bill, but we recommend that Congress mandate more aggressive outreach for all veterans who are eligible for VA services and benefits.

S. 423, "A BILL TO MAKE STILLBORN CHILDREN INSURABLE DEPENDENTS FOR THE PURPOSES OF SERVICEMEMBERS GROUP LIFE INSURANCE"

The American Legion supports this legislation as a logical extension of free dependent coverage, presently \$10,000, which has been an intrinsic part of the SGLI program for years. We do not believe the small number of resulting claims would pose any burden to the SGLI program. This legislation would offer some needed assistance for the medical and funeral expenses incurred by military families who experience such a tragic loss.

S. 551, "A BILL TO DIRECT VA TO ESTABLISH A NATIONAL CEMETERY IN COLORADO SPRINGS, CO"

VA's 2002 report, "Future Burial Needs," provides an assessment of the number of additional cemeteries that will be required to ensure a burial option for 90 percent of veterans living within 75 miles of a national or State veterans cemetery beginning in 2005 and projecting out to 2020. In addition, the report identifies those areas in the United States with the greatest concentration of veterans whose burial needs are not served by a national or State veterans cemetery as well as an estimate of the costs to construct, staff and equip a new national cemetery. VA's current threshold for siting a new national cemetery is 170,000 veterans residing within a 75-mile radius of an epicenter. With 12 new national cemeteries currently authorized and in varying stages of development, VA is well on the way to meeting the demand projected by the report. Not surprisingly, these sites are located in high population density areas. Colorado Springs, Colorado does not meet these threshold criteria. The American Legion does object, per se, to the establishment of a national cemetery in Colorado Springs; however, if enacted, this project should be funded outside the ongoing national cemetery expansion effort, the largest since the Civil War.

S. 909, "A BILL TO EXPAND ELIGIBILITY FOR GOVERNMENT-PROVIDED GRAVE MARKERS FOR VETERANS BURIED IN PRIVATE CEMETERIES"

Currently, the National Cemetery Administration provides headstones and markers for the graves of eligible veterans or eligible reservists who are buried in a private cemetery anywhere in the world regardless of whether the grave is already marked by a headstone or marker purchased at private expense. The veteran's death must have occurred on or after September 11, 2001, the onset of the Global War on Terror, for double marking. For eligible veterans who died before September 11, 2001, a government headstone or marker may only be furnished if the grave is unmarked. This bill would allow VA to furnish markers for the graves of veterans who died on or after November 1, 1990, restoring the intent of the Veterans Education and Benefits Expansion Act of 2001, Public Law No. 107-103, wherein the eligibility date was set at September 11, 2001 in conference committee. The American Legion agrees that this inequity should be rectified and we support this bill.

S. 1138, "A BILL TO AUTHORIZE THE PLACEMENT OF A MONUMENT IN ARLINGTON NATIONAL CEMETERY HONORING THE VETERANS WHO FOUGHT IN WORLD WAR II AS MEMBERS OF ARMY RANGER BATTALIONS"

The American Legion has no position or comment on this legislation.

S. 1259, "THE VETERANS EMPLOYMENT AND TRANSITION SERVICES ACT"

As this legislation was not timely available to us, The American Legion defers comment and respectfully requests the Committee to allow us to submit for the record when text of the legislation is available.

S. 1271, "THE PRISONER OF WAR BENEFITS ACT OF 2005"

As this legislation was not timely available to us, The American Legion defers comment and respectfully requests the Committee to allow us to submit for the record when text of the legislation is available.

Mr. Chairman, this concludes my testimony. I appreciate the opportunity to present The American Legion's views on these important and timely topics.

## ADDENDUM TO PREPARED STATEMENT

Mr. Chairman and Members of the Committee:

The American Legion appreciates this opportunity to express our views on the following bills that were not timely available to us prior to the Committee hearing held on June 23, 2005. We applaud the Committee for holding hearings on these vital issues.

## S. 1235, "ADJUSTABLE RATE MORTGAGES"

*Section 3*

This section amends Section 3707 of Title 38, United States Code, to allow VA to determine the annual adjustment of increase or decrease on interest rates on adjustable mortgages.

The American Legion has always been a strong supporter of the Department of Veterans Affairs' Home Loan Guaranty program, which offers veterans a centralized, affordable and accessible method of purchasing homes in return for their services to this Nation. Therefore, The American Legion supports this legislation which will, with this technical change, lower the cost of VA guaranteed mortgages.

## S. 1252, "THE DISABLED VETERANS INSURANCE IMPROVEMENT ACT OF 2005"

S. 1252 increases the maximum overall coverage in the SDVI program to \$50,000, with four-fifths of this being under the supplemental portion and basic coverage remaining the same. Currently, the SDVI program has a current overall maximum allowed life insurance coverage of \$30,000, divided between the obsolete basic insurance amount of \$10,000, and a strictly qualified supplemental insurance maximum of \$20,000.

The American Legion does not oppose this bill; however, it is our belief that this type of enhancement would have value to only a small portion of the disabled veterans insured in the program. Premiums on supplemental SDVI must be paid in all cases. SDVI premiums continue to be set as per the 1941 Commissioners Standard Ordinary Basic Table of Mortality and not a more current one such as the 1980 table. The effect of such a change would be a significantly lower premium structure for the disabled veteran. For most seriously disabled insured's, the premium cost of supplemental insurance is too high even at the present \$20,000 level, so they forego a much-needed benefit to the later detriment of their beneficiaries.

Providing a program enhancement that allows some to purchase additional insurance when most cannot afford what is already currently available does not provide what our disabled veterans need: a coverage maximum of \$50,000 between the basic and supplemental portions of the SDVI program, for example, \$25,000 each or \$30,000 for basic coverage with the supplemental remaining as it now is. Such enhancement would permit the disability premium waiver provision of basic SDVI coverage to become much more of a realistic benefit to these service-disabled insured's and serve to more adequately and properly meet the needs of these veterans who often suffer from a high degree of disabilities from their military service to the Nation.

## S. 1259, "THE VETERAN EMPLOYMENT AND TRANSITION SERVICES ACT"

*Section 3*

Veteran-to-veteran pre-separation counseling.—The Act will allow representatives of military and veterans service organizations and representatives of military and veterans services agencies of states to provide pre-separation counseling and services to members of the armed forces who are scheduled, or are in the process of being scheduled, for discharge, release from active duty or retirement. The American Legion supports this legislation that will enhance the quality of the current Transition Assistance Program by ensuring service members are given a pre-separation briefing and by allowing veterans service organizations and representatives of veteran groups to participate in the process.

*Section 4*

Separation Counseling and Transition Assistance.—The American Legion is in strong support of this legislation that requires that all separating, active-duty service members, including those from the Reserves and the National Guard, be given an opportunity to participate in Transition Assistance Program training not more than 180 days prior to their separation or retirement from the armed forces. The American Legion supports the measures to make the program mandatory and the implementation of performance measures for commanding officers to ensure that their service members attend the session. Numerous TAP counselors have voiced

their frustrations to Legion representatives about commanding officers who refuse to allow their service members to attend TAP; however these same commanders “will be the first ones sitting in my TAP classroom when it is their turn to separate from the Armed Forces.”

S. 1271, “THE PRISONER OF WAR BENEFITS ACT OF 2005”

This bill would repeal the current requirement in Title 38 U.S.C. that an individual had to have been detained or interned for a period of not less than 30 days in order to be entitled to presumptive service connection for certain prisoner-of-war (POW) diseases. It would also expand the list of POW diseases presumed to be service-connected, currently set forth in Title 38 USC section 1112(b), to include heart disease, stroke, diabetes type 2 and osteoporosis. The legislation would also specifically authorize the Secretary of Veterans Affairs to create regulations adding or deleting diseases enumerated in section 1112(b), on the basis of sound medical and scientific evidence, to include recommendations from VA’s Advisory Committee on Former Prisoners of War.

The issue of the welfare and well being of those veterans who have endured the hardship and trauma of being held as a POW has long been one of the major concerns of The American Legion. To ensure that the Government of the United States fulfills its obligation to these brave men and women, The American Legion has actively supported improvements in benefits provided to these individuals and their survivors and we are pleased to support the addition of the four conditions, specified in this bill, to the list of those currently presumed to be service-connected. It is hoped this legislation will provide the impetus for action to further broaden the list of presumptive diseases and disabilities, which former POWs are known to suffer from. Toward this end, we are encouraged that the bill recognizes and emphasizes the important role played by VA’s Advisory Committee on Former Prisoners of War. This group of esteemed individuals, many of who are themselves former POWs, provide the necessary mechanism and forum to evaluate scientific and medical studies on former POWs to make appropriate recommendations to the Secretary regarding needed changes in VA’s outreach, benefits, and medical care program for this community of veterans.

Additionally, The American Legion has long supported the elimination of the arbitrary 30-day requirement for internment. Studies have shown there can be long lasting adverse health effects resulting from even a relatively short period of confinement as a prisoner of war. Such findings are especially important considering the nature of today’s warfare and the rather short period of confinement most American POWs have faced during the post-Vietnam era.

This legislation represents a solid step toward ensuring former POWs receive the compensation and medical care to which they are clearly entitled. However, in addition to those diseases that would be presumed service-connected, The American Legion recommends that the list also include chronic pulmonary disease, where there is a history of forced labor in mines during captivity, and generalized osteoarthritis, as differentiated from the currently listed disability of post-traumatic osteoarthritis.

Chairman CRAIG. Steve, thank you very much.

Now we will turn to you, Quentin. Please proceed.

**STATEMENT OF QUENTIN KINDERMAN, DEPUTY DIRECTOR,  
NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN  
WARS OF THE UNITED STATES**

Mr. KINDERMAN. Thank you, Mr. Chairman.

Mr. Chairman, Members of the Committee, on behalf of the 2.4 million members of the Veterans of Foreign Wars of the United States and our auxiliaries, I would like to thank you for the opportunity to present our views here today.

We generally support the entire list of bills that is offered here. In the interests of brevity, I think I would defer to our written statement for specifics on those bills and a supplemental statement which we will have to you in a few days on the four bills that we are still considering at this point in time.

Chairman CRAIG. Good enough.

Mr. KINDERMAN. I would like to comment, however, on S. 151, the Veterans Benefits Outreach Act of 2005. We were very pleased to hear the VA testify in support of this bill, and we would like to make a suggestion that a good place to start on this plan would be to consider veterans that have been service-connected—Vietnam veterans service-connected for diabetes in recent years, on a presumption that was enacted into regulation early in this Administration.

Our understanding is there are now about 200,000 Vietnam veterans who are service-connected under this presumption for diabetes. The typical rate for uncomplicated diabetes is 40 percent. Two hundred thousand veterans is about, give or take, a billion dollars a year. We think that since the VA knows a great deal about these veterans and that diabetes is a progressive disease that is in a lot of ways controllable with aggressive medical care, that we would like to see a partnership between the Veterans Benefits Administration and the Veterans Health Administration.

You spoke earlier of the financial tradeoffs within legislation. I would like to suggest that 200,000 veterans at 40 percent is about a billion dollars a year; 200,000 veterans at 100 percent, which would happen if these veterans don't receive excellent and aggressive medical care, is about \$6 billion a year. So there is clearly an advantage, I think, to reaching out to these veterans now. We know who they are, we know where they live, and we know their medical information.

Likewise, I would make the same analogy for returning combat veterans. It is a very difficult war. Our servicemen are doing multiple tours and urban combat. PTSD, I think, is a real risk. If we can reach them now, I think we can avoid the chronicity that we see, perhaps, in veterans of early periods of war.

So the VFW would suggest that an aggressive working partnership within VA between the medical side and the benefits side, as part of this outreach, would be a good idea and would be in the best interest of all these veterans.

That concludes my testimony. I would be glad to respond to any questions.

[The prepared statement of Mr. Kinderman follows:]

PREPARED STATEMENT OF QUENTIN KINDERMAN, DEPUTY DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS OF THE UNITED STATES

Mr. Chairman and Members of the Committee:

On behalf of the 2.4 million members of the Veterans of Foreign Wars of the United States (VFW) and our Auxiliaries, I would like to thank you for the opportunity to present our views on the following veterans benefits legislation.

VFW supports S. 1234, legislation that would provide a cost-of-living adjustment to compensation, clothing allowance, and dependency and indemnity compensation (DIC) rates for veterans and their families. Maintaining the purchasing power of these benefits for service-connected veterans, their dependents, and survivors is very important, especially to those who have limited or no other sources of income. VFW urges the Congress to approve this legislation.

We would also like to lend our support to S. 1235, The Veterans Benefits Improvements Act of 2005.

Section 2 would increase Servicemembers Group Life Insurance (SGLI) and Veterans Group Life Insurance (VGLI) from \$250,000 to \$400,000 as enacted in Public Law 109-13.

The VFW fully supported the provisions providing an increase in SGLI and VGLI put forth in the Supplemental Appropriation. We believe that the increase in cov-

erage would go a long way toward helping the survivors of servicemembers and veterans financially.

Additionally, it replaces the requirement for spousal approval of insurance coverage and modifications with good faith notification of spouse. VFW supports this change.

It would also extend, for 1 year, the period within which veterans can convert their SGLI coverage to VGLI coverage. It would allow one form to serve as both SGLI extension and VGLI application.

We applaud this change and have testified in the past on the need for more time for conversion of SGLI to VGLI, as well as for a simplified application form for insurance coverage.

Section 3 would make a technical but necessary change to VA's home loan guarantee program. Current regulations preclude certain mortgage vendors from providing the entire package of VA home loans at attractive rates to veterans. The small change in this law would make it easier for these vendors to provide a few types of Adjustable Rate Mortgages at a lower rate to the veteran and increase his or her options when it comes time to finance their house.

VFW supports this provision because it will give a veteran more choices when selecting a loan, and may provide a viable alternative to some of the loans being offered, enabling more veterans to fulfill the American dream by purchasing a home.

VFW has no objection to S.552, legislation that would make technical and conforming corrections to the Veterans Improvement Act of 2004.

VFW supports S.917, which would amend title 38, U.S.C. to make the pilot program for direct housing loans for Native American veterans permanent. The American dream of homeownership is often very difficult for veterans who live in areas of the country where Federal law prohibits lenders from taking possession of property deemed "native trust lands." The Native American Veteran Housing Loan Program offers a solution in a Memorandum of Understanding between VA and the Bureau of Indian Affairs (BIA).

Under this VA-administered program, Native American veterans can qualify for direct loans to build or purchase homes on such lands. By making this program permanent you will offer the loan guaranty VA benefit to those who have honorably served and reside on native trust lands.

The VFW supports S. 151, The Veterans Benefits Outreach Act of 2005. This legislation would amend Title 38, U.S.C., to require an annual plan on VA outreach activities. We commend the VA for its current and on-going outreach activities, but as Senator Coleman and Senator Pryor mention in support of their legislation, more can be done to identify and inform those eligible for programs administered under the VA. This is especially important as our Armed Forces return from the war theaters of Afghanistan and Iraq.

VFW is especially concerned that veterans who are already service-connected for serious and, if untreated, potentially progressive illnesses, including diabetes in Vietnam veterans and PTSD in returning combat veterans, may not be receiving proper medical care from the VA medical system. Providing this care is, and should be, a high priority at VA. Since these veterans are known to VA, outreach would be cost effective and efficient, and could greatly enhance the quality of life of these veterans.

VFW has no objection to S.423, legislation which would amend title 38, U.S.C., to make a stillborn child an insurable dependent for purposes of the SGLI program. The loss of a child during pregnancy is very difficult and tragic event for a family. This provision would provide some measure of support at a troubling time for military families.

The VFW does not object to S.551, legislation that would direct VA to establish a national cemetery in Colorado Springs, Colorado. However, we do support the planning mechanism that VA has established with regard to selection of new national cemetery construction sites.

VFW strongly supports S.909, legislation that would expand eligibility for government markers for marked graves of veterans at private cemeteries. Public Law 107-103 included a provision to allow the VA to furnish headstones or markers for veterans buried in private cemeteries as long as the death occurred on or after September 11, 2001. The law does not include veterans who died before that date. Last year a provision allowing for an amendment which would have corrected this inequity was approved by both House and Senate as a part of The Veterans' Benefits Enhancements Act of 2003, but unfortunately was not enacted into law.

Congress has endorsed restoring the right of every veteran to receive a grave marker that recognizes and pays tribute to their service for a grateful Nation. This legislation would amend the current law and include those veterans who have died since November 1, 1990. VFW Resolution 702 calls on Congress to correct this in-

equity and allow those who died between November 1, 1990 and September 10, 2001 to be honored with a government headstone or marker.

Mr. Chairman and Members of the Committee, this concludes VFW's testimony. We again thank you for including us in today's important discussion, and I will be happy to respond to any questions you may have. Thank you.

Chairman CRAIG. Quentin, thank you. And those are some excellent suggestions.

Now let me turn to Rick Surratt. Please proceed.

**STATEMENT OF RICK SURRETT, DEPUTY NATIONAL  
LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS**

Mr. SURRETT. Mr. Chairman, thank you for the opportunity to State the DAV's views on the several bills before the Committee today.

All of them would make positive improvements in programs for veterans or servicemembers. Of particular interest to the DAV are those bills dealing with benefits provided on account of service-connected disability. We therefore support and appreciate your introduction of S. 1234, a bill to adjust compensation rates and the clothing allowance to cover the increase in the cost of living.

Another program where an adjustment is needed is in the Service-Disabled Veterans Life Insurance program. We are pleased that Senator Akaka's bill, S. 1252, would make a modest improvement by increasing the amount of supplemental life insurance available to totally disabled veterans on an SDVI policy. Current law allows a totally disabled veteran to supplement the \$10,000 life insurance in the base policy by purchasing additional coverage up to \$20,000. S. 1252 would increase the amount of the supplemental insurance available to \$40,000. This increase would make the life insurance coverage more commensurate with the economic impact of a veteran's death upon his or her survivors. Though this is a positive step, it serves as a reminder of the inadequacy of a \$10,000 maximum life insurance available to all other veterans under the SDVI policies.

We hope to see Congress act on legislation to correct this deficiency in the SDVI plan. We also hope to see Congress act to adjust the premium rates charged for SDVI. As you know, premium rates for life insurance are based on mortality experience. Currently, SDVI rates are still based on the shorter life expectancy in mortality tables from 1941. That keeps SDVI premiums too high and defeats the purpose of the SDVI program, which is to make life insurance available to service-connected disabled veterans at rates comparable to rates commercial insurers charge healthy persons.

Another matter that always wants the Committee's foremost attention is provisions for service connection of disabilities related to the extreme conditions suffered by prisoners of war. The DAV always feels a special responsibility to advocate beneficial adjustments to the provisions for service-connection of diseases that may be associated with the POW experience. The DAV supports S. 1271, Senator Murray's bill, to strengthen the provisions for presuming service connection of certain diseases associated with the hardships, deprivation, and abuse suffered by POWs. We urge the Committee to act favorably on this bill.

Mr. Chairman, we appreciate the Committee's consideration of these bills and our views on them. That concludes my statement,

and I would be happy to answer any questions the Committee may have.

[The prepared statement of Mr. Surratt follows:]

PREPARED STATEMENT OF RICK SURRATT, DEPUTY NATIONAL LEGISLATIVE DIRECTOR,  
DISABLED AMERICAN VETERANS

Mr. Chairman and Members of the Committee:

I am happy to have the opportunity to appear before you to present the views of the Disabled American Veterans (DAV) on the various bills under consideration in today's hearing. Under its congressional charter, the DAV's legislative mission is focused on benefits and services provided to veterans on account of their service-connected disabilities. We are therefore pleased to support the bills insofar as they fall within that scope, but we are also pleased to observe and acknowledge the other beneficial purposes of these bills, which address issues that transcend our organizational mission and legislative focus, but which are of importance to many veterans and some of our members nonetheless.

S. 1234

The Veterans' Compensation Cost-of-Living Adjustment Act of 2005 would increase the rates of disability compensation, dependency and indemnity compensation (DIC), and the annual clothing allowance by the percentage of increase in the cost of living as measured by the Consumer Price Index. The increase would be effective December 1, 2005.

Adjustment annually for increases in the cost of living are necessary to avoid loss in the buying power of these benefits for disabled veterans and their survivors. The DAV supports S. 1234.

S. 1235

The Veterans' Benefits Improvement Act of 2005 would retain as permanent amendments certain temporary provisions in the Servicemembers' Group Life Insurance (SGLI) and Veterans' Group Life Insurance (VGLI) programs. Principally, these provisions increase the maximum life insurance coverage for servicemembers and veterans. In current law, they are set to expire September 30, 2005. The Act would also extend from 1 year to 2 years the time for conversion of an SGLI policy to a VGLI policy. In addition, it would remove the fixed limitation on the range of the annual adjustment of the interest rate for hybrid adjustable rate mortgages.

Among other things, Public Law 109-13 increased the insurance coverage under SGLI for a servicemember from \$250,000 to a maximum of \$400,000, or such lesser amount as the member may elect in an amount evenly divisible by \$50,000. It made a corresponding increase in the coverage under VGLI from \$250,000 to \$400,000. This law amended provisions for SGLI to require the Secretary of Defense to notify the spouse of a member's election to decline coverage or to be insured in an amount less than the maximum \$400,000 or notify a beneficiary or next of kin of such election in the case of an unmarried member. It added a requirement that a member with a spouse must obtain written consent of the spouse to elect no coverage or to be insured for less than the maximum amount. It added a requirement that a member who elects to insure a spouse for an amount less than \$100,000 must do so in an amount evenly divisible by \$10,000 and only with written consent of the spouse. It created entitlement to insurance of \$150,000 on the life of an uninsured member who dies as a result of wounds, injuries, or illnesses incurred in a combat operation or zone or who formerly served in such an operation or zone and whose death is determined to be the direct result of injury or illness incurred or aggravated while so serving. For such member who was insured under SGLI, the law created increased entitlement to a maximum of \$400,000. These amendments were to be effective the first day of the first month that begins more than 90 days after May 11, 2005, and are to expire September 30, 2005.

S. 1235 adds a new requirement that the Secretary of Defense must make a good faith effort to notify the spouse if a member elects to reduce coverage on an insured member or name a beneficiary other than a spouse. Under this new provision, failure to notify will not affect validity of election by a member. No notice under this provision would be required where the member marries or remarries after making an election to reduce coverage or to name another beneficiary. The bill would permanently extend the \$400,000 maximum coverage for the servicemember. It would retain provisions that require the servicemember to elect an amount evenly divisible by \$50,000 for himself if he or she chooses coverage less than the maximum and an amount evenly divisible by \$10,000 for a member who elects to insure a spouse

for an amount less than \$100,000. S. 1235 would make the \$400,000 maximum coverage for VGLI permanent and would, as noted, allow 2 years, instead of 1, for conversion of a policy of SGLI to VGLI. This bill's provisions would become effective upon the expiration of the related temporary provisions added by Public Law 109-13.

The bill would also amend section 3707A(c)(4) of title 38, United States Code, to authorize a single annual interest rate adjustment in such percentage as the VA Secretary may prescribe for a hybrid adjustable rate mortgage. Existing provisions limit any such increase or decrease to 1 percentage point.

The DAV has no mandate from its membership on these matters, but we have no objection to enactment of S. 1235.

## S. 552

This bill would make technical amendments to section 2101 of title 38, United States Code, to restore provisions that authorize specially adapted housing assistance for certain active duty members of the Armed Forces. In amending the law last year to extend eligibility for housing assistance to veterans suffering from loss, or loss of use, of both upper extremities at or above the elbow, Congress inadvertently deleted provisions that authorize housing assistance to active duty members who have service-connected disabilities qualifying for this assistance. This bill would add the omitted provisions and make conforming amendments.

Providing assistance to these most seriously disabled servicemembers who need special home adaptations to enable mobility within the home is an important part of assisting them with the transition from institutionalization to independent living in their own homes, in their own civilian communities. Congress should move promptly to correct this unintended repeal of authority to provide special adapted housing to separating servicemembers. Providing this benefit at the earliest possible time is advantageous while requiring these disabled veterans to wait until they have been discharged and attain veteran status to begin the process of obtaining suitable housing can be counterproductive.

## S. 917

This bill would amend sections 3761 and 3762 of title 38, United States Code, to replace provisions for a temporary pilot program for direct housing loans to Native American veterans with authority for a permanent program.

Native American veterans face special impediments to obtaining conventional financing for the purchase or construction of homes because they do not own the land, and trust lands cannot be used to secure the loans. Though the DAV has no resolution calling for this legislation, we firmly believe Native Americans who have served in our Armed Forces should have equal opportunities to share in the American dream of home ownership, and we appreciate the necessity of special provisions to enable VA to provide them direct loans.

We have no objection to the passage of this meritorious legislation.

## S. 1252

This bill would increase the amount of supplemental life insurance available to totally disabled veterans under the Service-Disabled Veterans' Insurance program (SDVI). Currently, totally disabled veterans may acquire additional coverage of up to \$20,000 to supplement the \$10,000 coverage of the base policy. Under S. 1252, these veterans could supplement the base SDVI policy with added coverage up to \$40,000.

The DAV supports S. 1252. This would be a modest step toward increasing life insurance coverage to an amount more in line with today's income replacement needs for qualifying totally disabled veterans. However, we hope Congress remains mindful of the inadequacy of the \$10,000 maximum coverage available under the base policy. All other service-disabled veterans are limited to a maximum \$10,000 policy. This maximum is the same as set in 1917 when Congress first provided life insurance to servicemembers, who would later be insured under the same policies as veterans.

We also hope Congress will remain mindful of the detrimental effect of excessive premiums now charged for SDVI. Congress created the SDVI program to make life insurance available and affordable to service-disabled veterans who would otherwise be uninsurable or who would have to pay higher than standard rates because of their service-connected disabilities. The rates for SDVI were to be comparable to the rates for healthy persons in the commercial life insurance market. However, because the law has not been updated, today's premiums are still indexed to 1941 mortality

tables. Congress needs to act promptly to modernize the SDVI program with more adequate life insurance coverage and more reasonable premiums.

S. 151

The Veterans Benefits Outreach Act of 2005 would require the Secretary of Veterans Affairs to prepare annual plans for VA outreach activities. These plans must include measures to identify veterans who are not enrolled or registered for benefits or services with the Department and to inform veterans and their dependents of modifications to benefits and services, including eligibility for medical and nursing care and services. In development of a plan, the Secretary must consult with veterans organizations recognized under section 5902 of title 38, United States Code, and others involved in programs or services utilized by or extended to veterans. In developing a plan, the Secretary must also take into account successes and failures of measures employed in previous plans and incorporate recommendations for the improvement of veterans outreach activities included in a report submitted to Congress by the Secretary pursuant to the Veterans Benefits Improvement Act of 2004.

The mission of VA would be incomplete and its programs would be ineffective if it only passively received applications from those who may by chance learn of benefits available to them. When veterans and their programs are brought together, utilization is optimized, economies of scale are attained, and program goals are achieved. Program outcomes are improved. An essential part of VA's mission is therefore to seek out and educate veterans about the special programs created for their benefit, and incidentally, the ultimate benefit of society. Thus, VA must maintain, and adjust based on experience, an active, ongoing, and systematic project to create awareness among potentially eligible veterans of the special benefits and services provided for them. This bill would reinforce the authority and congressional mandate for VA outreach and would benefit veterans suffering from service-related disabilities who may be unaware of the range of benefits and services available to them. The DAV supports the bill.

S. 423

This bill would include a stillborn child as an "insurable dependent" under an SGLI policy. The DAV has no objection to legislation for this purpose.

We note that the bill would expand the definition of "insurable dependent" in section 1965(10) of title 38, United States Code, by adding stillborn children to the list. We also note that the bill does not similarly amend section 1967(a)(3)(A) of title 38, United States Code, to add stillborn child and the corresponding amount of insurance to the list of insured's. However, that would apparently be unnecessary inasmuch as the term "child" in section 1967(a)(3)(A)(iii) would now include a stillborn child as a result of this bill's technical conforming amendment of section 101(4)(A) by expanding its cross reference to the definition in section 1965 to include a stillborn child. Nonetheless, the drafting seems somewhat circuitous with consequent superfluous provisions.

Under section 101(4)(A), the definition for "child" means essentially a child who is dependent upon the veteran, with a parenthetical exception for chapter 19 of title 38 (life insurance programs). Within that parenthetical exception to the general definition of a child is another parenthetical—an exception to the exception—which makes a child for purposes of section 1965 a child within the meaning of the general definition of section 101(4), that is, a dependent child. The conforming amendment in S. 423 would amend the definition of child in section 101(4) to include a stillborn child for purposes of section 1965, but in so doing would essentially define a child as including a stillborn child "who is unmarried and—(i) who is under the age of 18 years; (ii) who, before obtaining the age of 18 years, became permanently incapable of self-support; or (iii) who, after attaining the age of 18 years and until completion of education or training (but not after attaining the age of twenty-three years), is pursuing a course of instruction at an approved educational institution." Additionally, under section 1968(a)(5) of title 38, United States Code, life insurance coverage for a stillborn child would continue for "120 days after the termination of the dependent's status as an insurable dependent of the member."

Perhaps the conforming amendments could be revised to improve upon the congruity of the various statutory provisions.

S. 551

This bill would require the Secretary of Veterans Affairs to establish a national veterans cemetery in the metropolitan area of Colorado Springs, Colorado, and would require the Secretary to consult with appropriate State and local officials in site selection, and with the Administrator of General Services or other appropriate

Federal officials of the United States on the availability of Federal lands in that area suitable for those purposes. The bill would also provide authority for acceptance of donated land and directs the Secretary to report to Congress his timetable for construction and an estimate of the costs of establishing the cemetery.

The DAV's members have adopted no resolution on this issue, but we have no objection to the enactment of this legislation that would make burial space available for veterans in the service area of the new cemetery.

S. 909

This bill would amend effective date provisions for Government grave marker eligibility in the case of a veteran whose grave is marked by a privately acquired marker.

Prior to amendments in 1990, VA could provide a grave marker for an "unmarked" grave, or in lieu of furnishing a grave marker for such grave, could reimburse for a grave marker acquired privately. The 1990 legislation removed authority for reimbursement of the cost of a non-Government marker. By section 502(a) of the Veterans Education and Benefits Expansion Act of 2001, Public Law 107-103, Congress authorized VA to provide a Government marker "notwithstanding that the grave is marked by a headstone or marker furnished at private expense." Eligibility for a marker under this amendment was for individuals dying on or after the date of enactment of the law, which was December 27, 2001. Section 203(b) of the Veterans Benefits Act of 2002, Public Law 107-330, amended this effective date to apply to individuals dying on or after September 11, 2001. The current bill would further amend the effective date to extend eligibility to individuals who died on or after November 1, 1990. The bill would ensure that all veterans who died after November 1, 1990, receive a grave marker where one is desired.

While the DAV has no resolution on this issue, the bill would accomplish a beneficial purpose, and we certainly have no objection to its passage.

S. 1138

By amendment to section 2409 of title 38, United States Code, this bill would authorize the Secretary of the Army to place a monument in Arlington National Cemetery to honor veterans who fought in World War II as members of U.S. Army Ranger battalions. The bill would give the Army Secretary exclusive authority to approve the design of and site for the monument. The DAV has no opposition to enactment of this bill.

S. 1259

The Veterans' Employment and Transition Services Act would extend the period for reporting by the Secretary of Veterans Affairs on the disposition of cases recommended for equitable relief. The Act would also direct the Secretary of Defense and the Secretary of Homeland Security to carry out a program to facilitate participation of veterans service organizations and other organizations in pre-separation counseling and services regarding veterans benefits, employment and training assistance, other transitional assistance, and medical care through VA. The bill would require that this separation counseling and transition assistance be provided by personnel not responsible for encouraging servicemembers to re-enlist.

The bill would ensure access by the DAV and other organizations to military facilities for the purpose of counseling and aiding servicemembers transitioning to civilian life. The DAV supports its passage.

S. 1271

The Prisoners of War Benefits Act of 2005 would repeal the existing requirement that a former prisoner of war (POW) must have been interned a minimum of 30 days to qualify for the presumption of service connection in the case of several diseases for which the presumption applies. It would add heart disease, stroke, type 2 diabetes, and osteoporosis to the list of conditions that may be presumed service connected in the case of a POW. It would add authority for the Secretary of Veterans Affairs to administratively add to the list of presumptive diseases through rulemaking where the Secretary determines such presumption is warranted by reason of a demonstrated positive association between the disease and the experience of being a prisoner of war. A positive association would be deemed demonstrated where credible evidence of an association is at least equal to credible evidence against an association. In making determinations regarding the addition of diseases to the list, the Secretary is to consider recommendations from the Advisory Committee on Former Prisoners of War and is to consider other acceptable medical and

scientific evidence. The bill requires the Secretary to make such a determination within 60 days after a recommendation from the POW Advisory Committee and to issue a proposed rule within 60 days of a determination that a presumption of service connection is warranted. Not later than 60 days after a determination that a presumption is not warranted, the Secretary would be required to publish a notice in the Federal Register of such determination with an explanation of the basis for the determination. The bill also prescribes procedures for removal of diseases from the list where warranted and would preserve service connection for purposes of compensation and DIC in the case of diseases removed from the list.

In testimony on similar provisions in bills last year, the VA witness acknowledged that the conditions of internment could likely be associated with the diseases this bill would add to the list subject to presumptive service connection.

This bill is consistent with the DAV's resolution calling for expansion of the diseases recognized for presumption of service connection as associated with the circumstances of the prisoner of war experience. The DAV supports this measure to improve and expand the benefits for veterans who are among our most deserving, former prisoners of war.

#### CLOSING

The several bills before the Committee today would enhance, expand, or make beneficial adjustments to benefits and services for veterans. The DAV appreciates the ongoing efforts of this Committee to improve and strengthen veterans programs, as well as the efforts and continuing support of the sponsors of these bills.

Chairman CRAIG. Rick, thank you very much for that testimony. Carl, we will now turn to you. Thank you.

#### **STATEMENT OF CARL BLAKE, ASSOCIATE NATIONAL LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA**

Mr. BLAKE. Mr. Chairman, Ranking Member Akaka, PVA would like to thank you for the opportunity to testify today on the proposed legislation. I will limit my remarks to only a couple of the bills under consideration.

PVA supports the technical corrections made by S.552, which would correct the mistake made by legislation passed in the previous Congress. The provisions in question from Public Law 108-454 were intended to extend eligibility for the specially adapted housing grant to servicemembers who experience the loss or loss of use of both upper extremities at or above the elbows. PVA supported this legislation as it was enacted. However, the law apparently excluded servicemembers who experienced these severe disabilities and who remained on active duty from having access to this specially adapted housing grant. Ensuring access to this grant for severely disabled veterans while still on active duty was a key initiative of PVA during the 108th Congress. Many of our members are the highest-end users of the specially adapted housing grant.

PVA fully supports the Veterans Benefits Outreach Act. PVA and other veterans service organizations have previously expressed concern about VA outreach efforts to veterans. Only a couple of years ago a senior VA official sent a memorandum out to medical centers encouraging them to not actively reach out to veterans and advertise the health services available to them. This was done in light of ever-tightening budgets. PVA finds such actions deplorable and shameful. We believe it is the responsibility of the VA to inform veterans and their families of the benefits and services available to them, and we appreciate the VA's support for this legislation.

PVA supports the provisions of S.1259, the Veterans Employment and Transition Services Act. This legislation recognizes the valuable roles that representatives of veterans and military serv-

ices organizations and the related State agencies can play in the transition for servicemembers from the military.

PVA particularly appreciates the emphasis placed on targeting not only active duty military, but on the National Guard and Reserve at the armories and at family support centers, as well as at military medical facilities. Recognizing the fact that many National Guardsmen and Reservists left the civilian world to begin with, we cannot assume that it will automatically be easy for them to return to civilian life.

The Prisoner of War Benefits Act would repeal the requirement that a POW be held captive for at least 30 days in order to receive a presumption of service connection for the purposes of receiving benefits. This issue was first considered last year, after American service personnel who were held in Iraq during the early stages of the war were released or rescued after less than 30 days of internment. It seems only fair that any POW, regardless of time in captivity, be recognized as being eligible for service-connected benefits. As such, PVA supports this legislation.

Mr. Chairman, I would like to thank you again for the opportunity to testify. I would look forward to working with this Committee to ensure that we pass meaningful legislation that will assist veterans in achieving all the benefits that they have earned and deserve. I would be happy to answer any questions that you might have.

[The prepared statement of Mr. Blake follows:]

PREPARED STATEMENT OF CARL BLAKE, ASSOCIATE NATIONAL LEGISLATIVE  
DIRECTOR, PARALYZED VETERANS OF AMERICA

Chairman Craig, Ranking Member Akaka, Members of the Committee, Paralyzed Veterans of America (PVA) would like to thank you for the opportunity to testify today on the S. 1234, the "Veterans Compensation Cost-of-Living Adjustment Act of 2005;" S. 1235, the "Veterans' Benefits Improvements Act of 2005;" S. 552; S. 917; the "Service-Disabled Veterans Insurance Improvement Act;" S. 151, the "Veterans' Benefits Outreach Act of 2005;" S. 423; S. 551; S. 909; S. 1138; S. 1259, the "Veterans Employment and Transition Services Act;" and the "Prisoner of War Benefits Act of 2005." PVA appreciates the efforts of the Committee to address the benefits needs of the veterans who have served and sacrificed so much for this country.

S. 1234, THE "VETERANS COMPENSATION COST-OF-LIVING ADJUSTMENT ACT"

PVA supports S. 1234, a bill to increase the rates of compensation for veterans with service-connected disabilities and the rates of dependency and indemnity compensation for certain disabled veterans. As we have done in the past, we oppose again this year the provision rounding down the cost-of-living adjustment to the nearest whole dollar.

S. 1235, THE "VETERANS' BENEFITS IMPROVEMENT ACT"

Section 2 of the proposed legislation would require the Secretary of Defense to make a "good-faith effort" to notify the servicemembers' spouse or next of kin if he or she executes certain options in the Servicemembers' Group Life Insurance (SGLI) plan. These options include choosing an amount less than the maximum insurable amount or designating a beneficiary other than the spouse or next of kin.

We do not believe that this provision addresses any problem that exists. It seems that this legislation is meant to prevent a serviceman or woman from making a decision that might ultimately have a negative impact on his or her family. However, we believe that this proposal is unnecessary because the servicemember has the individual right to make any election he or she chooses with regards to the life insurance plan. It should not be the responsibility of the Secretary to get involved with the effect of a servicemember's election on his or here family. Despite these concerns, PVA does not object to the legislation.

PVA does support the provisions that increase the maximum SGLI payments as well as the maximum Veterans' Group Life Insurance payments from \$250,000 to \$400,000. It is especially important that the servicemembers' families as well as veterans' families receive adequate life insurance coverage when faced with the loss of a loved one.

S. 552

The technical corrections made by the proposed legislation will correct a mistake made by legislation enacted during the last Congress. The provisions in question from P.L. 108-454 were intended to extend eligibility for the Specially Adapted Housing Grant to servicemembers who experience the loss, or loss of use, of both upper extremities such as to preclude use of the arms at or above the elbows. PVA supported this legislation as it was passed during the last Congress.

However, P.L. 108-454 apparently excluded servicemembers who experience these severe disabilities, and who remain on active duty, from having access to the Specially Adapted Housing Grant. Ensuring access to this grant for severely disabled servicemembers who are still on active duty was a key initiative of PVA during the 108th Congress. Many PVA members have dealt with this problem in the past. A significant number of PVA members utilize the adaptive housing grants for their homes. Unfortunately, in situations where our members come directly from active duty and are waiting for separation, they are forced to stay in a hospital or live with someone else because they do not have immediate access to the grants that would allow them to become independent much faster. PVA supports the corrections made by this proposal.

S. 917

PVA supports S. 917 which would make permanent the pilot program established by P.L. 102-547 that authorizes the Secretary of Veterans Affairs (VA) to provide direct housing loans to Native America veterans. It has become more difficult for veterans to purchase a home because of soaring housing prices. Native American veterans are not shielded from the same difficulties. VA home loans have proven vital in allowing veterans to realize the dream of owning a home. The rates offered by the VA afford veterans opportunities that they might not otherwise have with a private lender. PVA supports making this pilot program permanent.

THE "DISABLED VETERANS INSURANCE IMPROVEMENT ACT"

Supplemental insurance for those veterans who have incurred a total service-connected disability is an important benefit available to that population of veterans. It is often extremely difficult for totally disabled veterans to get any type of insurance, particularly life insurance. This proposed legislation would increase the supplemental amount available to these veterans from \$20,000 to \$40,000. PVA supports this legislation. It is very important that totally disabled veterans get all of the assistance that they have earned and deserve.

S. 151, THE "VETERANS BENEFITS OUTREACH ACT"

PVA fully supports the "Veterans Benefits Outreach Act." This bill would require the VA to develop and implement an annual plan for outreach to veterans around the country. PVA and other veterans service organizations have previously expressed concerns about the VA not making an effort to reach out to veterans who have earned and deserve health care and benefits. Only a couple of years ago, a senior VA official provided a memorandum to medical centers around the country instructing them not to actively reach out to veterans and advertise the health care services available to veterans. This was done in light of ever-tightening budgets. PVA finds such actions deplorable and shameful.

We believe it is the responsibility of the VA to inform veterans and their families of the benefits and services available to them. VA must ensure that the needs of the men and women who have served and sacrificed are provided for. These veterans should not be allowed to be shielded from the services available to them just because it is not financially feasible for the VA to conduct outreach. Any effort the VA makes to avoid outreach is a blatant disregard of its Federal obligation.

S. 423

PVA has no position on this legislation. However, we encourage Congress to ensure that any legislation that is passed reflects standards for consideration as an insurable dependent accepted by the insurance industry nationally.

S. 551

PVA fully supports this legislation which authorizes the VA to establish a national cemetery in Colorado Springs, Colorado. According to VA information, there are currently only two national cemeteries located in Colorado, neither of which is near the Colorado Springs area. With the rate that veterans are dying today, particularly World War II veterans, it is imperative that the VA be able to provide a suitable burial location for these men and women. Colorado Springs would provide an excellent cemetery location that is centrally located in the state.

S. 909

P.L. 107-330 authorized the VA to provide private government markers to veterans who have marked graves in private cemeteries. This legislation was meant to provide for recognition of those men and women who have served this Nation with honor. However, P.L. 107-330 only provided this benefit retroactively to veterans who died after September 11, 2001. It excludes veterans who died between November 1, 1990 and September 11, 2001. Prior to enactment of P.L. 107-330, the VA estimated that it denied more than 20,000 headstones or markers to these veterans. This legislation would correct this serious inequity. All veterans should be afforded the same recognition of their service following their death. PVA fully supports S. 909.

S. 1138

The actions of U.S. Army Rangers during World War II are well documented and reflect great credit upon their units. Their exploits certainly deserve recognition. However, PVA has no position on this legislation. We must emphasize that any memorial built at Arlington National Cemetery must meet the guidelines established for creation of any memorial on its grounds and that it be fully accessible to people with disabilities.

## S. 1259, THE "VETERANS EMPLOYMENT AND TRANSITION SERVICES ACT"

PVA supports the provisions of S. 1259, the "Veterans Employment and Transition Services Act." This legislation recognizes the valuable roles that representatives of veterans' and military service organizations and related State agencies can play in providing a seamless transition for servicemembers exiting the military. These individuals can relate to the young serviceman or woman better than most people. Furthermore, they and can offer substantive advice on challenges that the servicemember will face and how to overcome those challenges. Pre-separation counseling is one of the most important activities for ensuring a greater likelihood of success in the civilian world.

PVA also appreciates the emphasis placed on targeting not only active duty military installations, but also National Guard armories and family support centers as well as military medical facilities. Recognizing the fact that many National Guardsmen and Reservists left the civilian world to begin with, we cannot assume that it will automatically be easier for them to transition back to their previous life. We must do what we can to protect them from the dangers of homelessness, mental health issues, and substance abuse disorders.

## THE "PRISONER OF WAR BENEFITS ACT"

This legislation would repeal the requirement that a POW be held captive for at least 30 days in order to receive a presumption of service-connection for the purposes of receiving benefits. This issue was first considered last year after American service personnel who were held captive by Iraq during the early stages of the war were released or rescued after less than 30 days of internment. These men and women had sustained severe injuries as a result of combat actions and their subsequent internment. It seems only fair that any POW, regardless of time in captivity, be recognized as being eligible for service-connected benefits. PVA supports this provision.

We likewise support the addition of the following diseases to the list of diseases presumed to be service-connected: heart disease, stroke, Type II diabetes, and osteoporosis. We have no objections to the requirements placed on the Secretary of VA for adding or subtracting diseases to the presumptive service-connection list. We would only caution that veterans and former POWs should be given the benefit of the doubt before any consideration is given to removing a disease from the list.

PVA appreciates the opportunity to testify today on the proposed legislation. We look forward to working with the Committee to ensure that veterans get the benefits that they have earned and deserve.

I would be happy to answer any questions that you might have. Thank you.

Chairman CRAIG. Carl, thank you very much. Richard, please proceed.

**STATEMENT OF RICHARD JONES, NATIONAL LEGISLATIVE DIRECTOR, AMVETS**

Mr. JONES. Chairman Craig, Ranking Member Akaka, AMVETS appreciates the opportunity to present testimony today. Thank you very much for the time you provide us.

Senate Bill 1234, introduced by Chairman Craig, would increase the rates of disability compensation and dependency and indemnity compensation. This legislation follows the congressional practice of setting the COLA by reference to the Social Security increase. Eligible veterans and family members would expect to see this increase in their January checks. Last year's increase was 2.7 percent; current estimates for 2006 project 2.3 percent. The basic purpose of the compensation program is to provide a measure of relief from the impaired earning capacity of veterans disabled as a result of their military service. AMVETS fully supports this bill.

Senate Bill 1235, the Veterans Benefits Improvement Act of 2005, would make the maximum amount of Servicemembers' Group Life Insurance and Veterans' Group Life Insurance coverage to the total \$400,000 from its present \$250,000. While the Emergency Supplemental Appropriation Act enacted SGLI and VGLI improvements earlier this year, the provisions terminate, as we discussed earlier, and the bill would make this coverage permanent. AMVETS supports this section of the legislation. The bill also would require the Secretary of Defense to notify in writing spouses of service personnel who name beneficiaries other than spouse, who reduce their SGLI coverage.

AMVETS is inclined to oppose this provision since the servicemember's decision regarding initial coverage, the amount of coverage, and those sort of related questions should be the individual's alone unless the person freely chooses to discuss decisions with family members and others. AMVETS fully supports the provisions of the bill to extend the—SGLI coverage and VGLI coverage for 1 year following military discharge. The extension will allow better rates of conversion and we think this is a great provision. We also support the Home Loan changes, which is the final provision of that act.

The Veterans Employment and Transition Services Act of 2005, Senator Salazar's legislation, would likely strengthen seamless transition and would increase participation in the transition assistance program. It would enhance VSO access to military facilities as well as to DOD data on separating servicemembers. I think this would also benefit veterans. It is AMVETS' understanding that the bill would separate employment and benefits counseling to those military personnel ready for separation, and we support this provision as well.

S. 1271 is POW legislation to address medical problems—diabetes, osteoporosis. These often occur in POWs many years after their release. AMVETS supports this legislation.

Thank you, Mr. Chairman, for the time you provide us. Our written statement is provided for the record.

[The prepared statement of Mr. Jones follows:]

PREPARED STATEMENT OF RICHARD JONES, NATIONAL LEGISLATIVE DIRECTOR,  
AMVETS

Chairman Craig, Ranking Member Akaka, and Members of the Committee:

Thank you for the opportunity to present testimony to the Veterans Affairs Committee on legislation subject to this hearing devoted to improvements in veterans benefits programs and related matters. My name is Richard Jones, AMVETS National Legislative Director.

AMVETS is pleased to present our views the legislation before the Committee: S. 1234, a bill to authorize a cost-of-living adjustment; S. 1235, the "Veterans' Benefits Improvements Act of 2005"; S. 552 a bill to make technical corrections to the Veterans' Benefits Improvements Act of 2004; S. 917, a bill to make permanent an existing Native Americans home loan pilot program; S. \_\_\_\_, the "Service Disabled Veterans Insurance Improvement Act"; S. 151, the "Veterans Benefits Outreach Act of 2005"; S. 423, a bill to make stillborn children insurable dependents for purposes of Servicemembers Group Life Insurance; S. 551, a bill to expand eligibility for government-provided grave markers for veterans buried in private cemeteries.

Mr. Chairman, AMVETS has been a leader since 1944 in helping to preserve the freedoms secured by America's Armed Forces. Today, our organization continues its proud tradition, providing not only support for veterans and the active military in procuring their earned entitlements but also an array of community services that enhance the quality of life for this nation's citizens.

Throughout our 61-year history, our focus and indeed our passion have been to represent the interests of veterans as their advocates. In this regard, this Committee and our organization share a common purpose—we support veterans in their efforts to receive the benefits that a grateful Nation intended them to have in recognition of their dedicated service to our country.

As a nation, we owe veterans an enormous debt of gratitude for their service, their patriotism, and their sacrifices. The benefits to which they are legally entitled are not the product of some social welfare program, as some might argue. Rather they are yet another cost of freedom that unfortunately is too often forgotten.

As a national veterans service organization, chartered by Congress, AMVETS is committed to assisting veterans in their times of need. For example, during the past 18 years, we, together with DAV, PVA, and VFW, have co-authored a document titled *The Independent Budget* in which we identify the funding requirements necessary to support the Department of Veterans Affairs.

We believe that America's promises made to veterans for their military service need to be recognized and honored as our forebears intended. We believe that veteran's benefits should be provided in a timely and compassionate manner. We believe that to do less dishonors those whose service in defense of this Nation provides a central underpinning for the prosperity and freedoms we all enjoy.

We appreciate the opportunity you provide to testify on pending legislation to enhance, update, and strengthen veterans legislation.

S. 1234, A BILL TO PROVIDE A COST-OF-LIVING INCREASE, EFFECTIVE DECEMBER 1, 2005, IN COMPENSATION, AND DEPENDENCY AND INDEMNITY COMPENSATION, AND OTHER RATES

S. 1234, introduced by Chairman Craig, would increase in rates of disability compensation and dependency and indemnity compensation, effective December 1, 2005, the rates of compensation for service-connected disabilities and the rates of dependency and indemnity compensation (DIC) for surviving spouses and children of veterans who die of service-connected causes, as well as the additional amounts for dependents and survivors, and clothing allowances for certain veterans.

This legislation follows the congressional practice of setting the COLA by reference to the Social Security increase, which will be determined as of September 30, 2005. Eligible veterans and family members would expect to see this increase in their January checks, if approved. Last year's increase was 2.7 percent.

More than 2.5 million veterans receive service-connected disability compensation as of April 2005. The basic purpose of the disability compensation program is to provide a measure of relief from the impaired earning capacity of veterans disabled as the result of their military service.

The amount of compensation payable varies according to the degree of disability. This amount in turn is required by law to represent, to the extent practicable, the average impairment in earning capacity in civilian occupations resulting from such disability or combination of disabilities.

To be eligible to receive disability compensation, a veteran must have a disability incurred or aggravated during military service, which is not the result of willful misconduct, and have been discharged under other than dishonorable conditions.

The responsibility for determining a veteran's entitlement to service-connection for a disability rests solely with the Department of Veterans Affairs.

More than 296,000 surviving spouses and nearly 30,000 children receive dependency and indemnity compensation (DIC). Widows and children of veterans who died of disabilities determined by VA to be service-connected (including veterans who died while on active duty) are entitled to receive monthly DIC benefits.

The purpose of DIC benefits, authorized under chapter 13 of title 38, United States Code, is to provide partial compensation to the appropriate survivors for the loss in financial support due to the service-connected death. Income and need are not factors in determining a surviving spouse's or child's entitlement because the Nation in part assumes the legal and moral obligation of the veteran to support the spouse and children.

The Senate and House Committees annually review the service-connected disability compensation and DIC programs to ensure such benefits provide reasonable and adequate compensation for disabled veterans and their families. Based on this review, Congress acts annually to provide a cost-of-living adjustment (COLA) in compensation and DIC benefits. Congress has provided annual increases in these rates for every fiscal year since 1976.

AMVETS supports our Nation's commitment to care for the men and women who have served in our military service. This legislation will increase current rates of disability compensation and help meet rising costs. We support the COLA increase contained in this legislation.

S. 1235, THE "VETERANS' BENEFITS IMPROVEMENTS ACT OF 2005"

Under Senator Craig's legislation, the maximum amount of Servicemembers Group Life Insurance and Veterans Group Life Insurance coverage would increase to \$400,000 from \$250,000. In addition the bill would require the Secretary of Defense to notify spouses of insured servicemembers when those covered select a beneficiary other than their spouse or when they elect to reduce their coverage amount. Also it would provide VA with the capacity to adjust hybrid adjustable rate mortgage loans above the annual limits currently set in law.

The Emergency Supplemental Appropriations Act for Defense, the Global War on Terrorism and Tsunami Relief of 2005 enacted the SGLI and VGLI improvements earlier this year. However, the provisions terminate September 30 at the close of the current fiscal year. The Chairman's bill would make this coverage permanent at the higher rate of \$400,000. AMVETS supports this section of the legislation.

The bill also would require the Secretary of Defense to notify, in writing, the spouses of service personnel who name beneficiaries other than the spouse or who reduce their SGLI coverage. AMVETS is inclined to oppose this provision since, as an adult, the servicemember's decision regarding initial coverage, the amount of coverage and insurance beneficiary or beneficiaries should be the individual's alone, unless the person freely chooses to discuss the decision with family members or others.

AMVETS fully supports provisions in the bill to extend the free of SGLI coverage and VGLI conversion for 1 year following military discharge. The 1-year extension coverage enables individuals more time to convert military life insurance to VGLI. Too many disabled veterans simply do not apply for currently available extensions due to rehabilitation efforts or any number of other related aspects of their recover or readjustments. This extension will allow better rates of conversion to veterans coverage and improve their security since totally disabled veterans have little chance of finding coverage in the private sector due to the affect on life expectancy of their disabling injuries.

The final section of the Chairman's legislation would grant authority to VA to make enhanced adjustments in VA hybrid ARM loans. AMVETS is informed that the VA hybrid ARM loan program is an attractive alternative to a number of veterans. It improves the overall home loan program and assists veterans and their families in affording a home. We approve of the flexibility granted to set annual interest rate adjustments at actuarially sound levels to ensure continued availability of this contemporary home loan option.

S. 552, A BILL TO MAKE TECHNICAL CORRECTIONS TO THE VETERANS BENEFITS IMPROVEMENT ACT OF 2004

Under the Ranking Member's legislation, severely disabled members of the Armed Forces, still on active duty, would have their specially adapted housing benefits restored. It is the understanding of AMVETS that these individuals' adapted housing benefits were accidentally repealed when efforts were made in the last Congress to improve related aspects of the adapted housing benefit. We strongly support Senator Akaka's legislation to correct this situation.

S. 917, A BILL TO MAKE PERMANENT AN EXISTING "PILOT" PROGRAM OF DIRECT HOME LOANS TO NATIVE AMERICAN VETERANS

Under Senator Akaka's legislation, VA would be able to continue offering loan guarantees to individuals who live on trust lands that protect lenders against loss up to the amount of the guarantee if the borrower fails to repay the loan. The legislation would upgrade a successful pilot program begun in 1992 to permanent status. It is AMVETS understanding that the pilot program of providing home loan assistance to individuals living on tribal lands has enhanced the benefits earned by Native Americans who have served in America's military. We support the bill.

S. 151, THE "VETERANS BENEFITS OUTREACH ACT OF 2005"

AMVETS believes it is important that veterans understand the benefits they have earned through military service. Senator Coleman's legislation would require the Department of Veterans Affairs to develop an annual plan to identify veterans who are eligible but not receiving their benefits and establish an outreach plan to enroll them. AMVETS supports the bill.

S. 423, A BILL TO MAKE STILLBORN CHILDREN INSURABLE DEPENDENTS FOR PURPOSES OF SERVICEMEMBERS GROUP LIFE INSURANCE

Incredible advances in health care have reduced dramatically childbirth deaths and injuries. Yet, pregnancy issues and medical situations can result in a baby that is stillborn. It is our understanding that a stillbirth is a baby born after 20 weeks of pregnancy with no signs of life and stillbirths occur in about four to nine cases for every 1,000 births. Senator Santorum's bill would recognize stillborns as an insurable dependent under the Servicemembers Group Life Insurance. AMVETS supports the bill.

S. 551, A BILL TO DIRECT VA TO ESTABLISH A NATIONAL CEMETERY IN COLORADO SPRINGS, COLORADO

In 1999, Congress directed VA to study improvements to Veterans Cemeteries through passage and enactment of the Veterans Health Care and Benefits Act of 1999. In accordance with the provisions of the Act, VA contracted Logistics Management Institute to examine providing a burial option for 90 percent of veterans residing within a 75-mile service area of an open national or State cemetery. The study concluded that 31 additional veteran's cemeteries will be required over the next 20 years in order to provide 90 percent of veterans with a burial option in each 5-year period beginning in 2005 and extending to 2020. A national cemetery located in Colorado Springs was not identified in the study among the 31 that will be required.

S. 909, A BILL TO EXPAND ELIGIBILITY FOR GOVERNMENT-PROVIDED GRAVE MARKERS FOR VETERANS BURIED IN PRIVATE CEMETERIES

Under Senator Dodd's legislation, veterans and their families would be entitled to receive VA's official grave marker if the veteran had passed away during the period between November 1, 1990, and September 11, 2001, when law forbid receipt of the honor. According to Senator Dodd's introductory statement, The Congressional Budget Office estimates that the cost of this favorable decision would be minimal, no more than \$3 million per year for the first 5 years. AMVETS trusts that the Senate Committee can locate the funds necessary to incorporate these veterans with an official recognition. AMVETS supports the bill.

S.—, THE "VETERANS EMPLOYMENT AND TRANSITION SERVICES ACT OF 2005"

Senator Salazar's legislation would likely strengthen participation in the Transition Assistance Program of separating service members during their period of transition into civilian life. Under this legislation, service members would have greater access to veterans service organizations through enhanced VSO access to military facilities as well as to DoD data on separating service members. It is AMVETS understanding that the bill separate employment and benefits counseling to those military personnel ready for separation from re-enlistment counseling. AMVETS supports the goal of this bill to strengthen participation in TAP programs and enhance the servicemember's transition to civilian life and work.

This concludes AMVETS testimony. Again, thank you for the opportunity to testify on these important bills, and thank you as well for your continued support of America's veterans.

Chairman CRAIG. Well, gentlemen, thank you very, very much for being with us.

Steve and Richard, let me turn to you. Your written testimony outlines your opposition to a provision in 1235, which I have introduced, that would require the Secretary of Defense to notify spouses of servicemembers when those servicemembers elect to reduce insurance coverage or name beneficiaries other than their spouses. As you know, the Emergency Supplemental Appropriation Act provisions on SGLI require a spouse's written consent on some insurance decisions as a far more stringent requirement than I propose.

What I have attempted to do is strike a balance between the rights that many believe spouses have to be made aware of important financial decisions and the longstanding right that servicemembers have to make unfettered insurance decisions. So my question would be to you all, how would each of you propose to strike the balance, if not in the way that I have proposed?

Mr. JONES. Well, I guess ours would be at the far end of the spectrum, and that is that it is a decision that should be made by the servicemember as to whether or not he wishes or chooses to participate in the program. I think the current program offers that opportunity to enter the program and to get out of the program on a regular basis. He can actually do it before deployment, if he so chooses. I think that is the right way to go. Leave it to the servicemember.

Mr. SMITHSON. We feel also that it is a contract between the servicemember and the Government, and that is a matter to be dealt with by the servicemember.

Chairman CRAIG. Well, gentlemen, thank you for those thoughts. I am working in the confines of existing law trying to see if we can't level that out a bit. But I do appreciate those thoughts.

S. 1138, legislation introduced by Senator Allen, would authorize the placement of national cemetery—a monument at Arlington National Cemetery honoring World War II Army Rangers. As you know, there is restricted burial eligibility at Arlington because of space limitations.

Any of you wish to comment your thoughts about the merit of this and how we might proceed with this kind of legislation?

Mr. JONES. Mr. Chairman, AMVETS shares the profound pride and admiration and gratitude associated with the spirit of Senate Bill 1138, a bill to authorize the placement of this memorial in Arlington. However, we are concerned that the placement of this memorial in Arlington Cemetery might be placed on a plot of land suitable for gravesites. As you well know, Arlington, as a national shrine, holds a very unique place in the eyes of the American people, and there must, of necessity, be some restrictions on monuments at Arlington to ensure continual burials at this magnificent site. With limitations on property, we would propose that such a monument be placed, that it should be placed on land that is unsuitable for gravesites. Those in Congress might explore appropriate action that would expand—also, we would propose that the Congress focus on expanding the land available for Arlington National Cemetery so as to extend the stated purpose of Arlington National Cemetery.

Chairman CRAIG. Does anyone else wish to make comment on that?

Carl, on your testimony on S. 423 regarding insurance for stillborn children, PVA recommends that any insurance benefit for stillborn children conform to nationally accepted industry standards. According to VA's testimony, industry practice is not to pay any insurance benefit until 14 days after a live birth. Can I take it, then, that PVA is in opposition to S. 423? In addition, does PVA believe VA's current practice, which also does not conform to industry standards, needs to be modified?

Mr. BLAKE. First, Mr. Chairman, I would like to say that in researching this legislation that was introduced, I spoke with the American Council on Life Insurers. And the way it was explained to me is there is coverage from the very date of birth for a child that is born. However, the private insurance industry only recognizes children that are born live from that date. There are riders that are put into place, and I understand that most insurance kicks in at 14 days, but there are also riders that cover that 14 days prior.

In light of the testimony of the VA and the other service organizations, I would like to perhaps take this back and discuss it with our leadership. However, we still have some concerns about some of the wording in the legislation, and we would be happy to work with you to address some of our concerns as well.

Chairman CRAIG. Fair enough. Thank you. Thank you very much.

Danny. Senator Akaka.

Senator AKAKA. Thank you very much, Mr. Chairman.

I want to continue a line of questioning on separation of personnel from the military into the veterans groups. So this question is directed to all of you. As you know, I asked the VA to make comments about how VA includes VSO's in the transition. I would like to ask you, what services do your organizations provide to servicemembers who are transitioning from military to civilian life? If Senator Salazar's legislation is enacted, how could you provide greater assistance to servicemembers?

Mr. SURRETT. Senator Akaka, if I may, I will answer that first. The DAV has a special category of employees called transition service officers. And we have those stationed—I don't have the statistics here with me—at most of the major discharge centers. They assist those veterans in all the issues—you know, compensation, the benefits, and those things—to counsel them on what might be available to them. Of course, we assist veterans when they return home to one of our regional offices, our national service officers do. Again, I don't have the number of those employees, the statistics, but I do know that we have a fairly comprehensive program.

Mr. BLAKE. Senator Akaka, PVA has most of its service office staff stationed either at regional offices or at medical facilities, primarily VA facilities with SCI centers. However, one of the things we have worked with or have tried urging both the Department of Labor, the VA, and the Department of Defense in doing is including the veterans service organizations in the Transition Assistance programs and in the Disabled Transition Assistance programs, because we can bring that expertise to the forefront from the begin-

ning, because I think that that is one of the key points where the transition process begins.

Mr. SMITHSON. The American Legion also conducts outreach to active duty servicemembers that are transitioning out of the military. We are currently looking at the way we are doing things and we want to improve on that. And we would be open to extended relationship or cooperation with the VA in that regard.

Mr. KINDERMAN. The VFW also has similar programs and we actually do visit military bases and have worked out agreements with base commanders in places. I think passage of this legislation may make it much easier for us to gain that sort of access.

Mr. JONES. AMVETS also has these operations, both formal and informal. But our organization is more federalized, in that each department of AMVETS may have a different program. Take, for example, the program in Ohio. Ohio has an actual employment center that helps the transition folks so that they can get the criteria they need and the skills they need through education. It is a very large operation in Ohio, and very successful. We just began it last year, and we are looking forward to replicate it in several other States as other departments look at the progress and success of this in Ohio.

Senator AKAKA. My next question is to ask you about special insurance needs. What special insurance needs do severely disabled veterans have? What do you believe is a reasonable amount of life insurance to provide to these severely disabled veterans? Can you comment on both the base amount and the supplemental amount that veterans can purchase?

Mr. SURRATT. Senator Akaka, the VA conducted a program evaluation of its SDVI program, I believe, about 3 or 4 years ago. And if I recall, at that time, and perhaps we have this in a resolution—I have to admit I don't remember it—I think that figure was \$50,000 at that time, face value on the base policy. You are talking about the SDVI program, I take it. Yes. Fifty thousand dollars was the recommended amount. Now, that has been—there has been some passage of time since then.

Senator AKAKA. Well, my final question is my concern about the National Guard and the Reserves. Do any of your organizations conduct outreach especially to National Guards and Reserves? And have you encountered any difficulties in your outreach efforts to our Guard and Reserve members?

Mr. SMITHSON. As was stated with the AMVETS structure of things, the American Legion is also decentralized and our departments operate different programs. However, as far as the Guard and Reserves, several of our departments in various States have strong programs with Guard and Reserve units. We conduct regular outreach. We have programs that are called, "Adopt a Guard or Reserve Unit", where a post, a local Legion post will adopt that unit and take care of needs that arise for the family members of the deployed servicemembers. We had relatively good success gaining access to the Guard and Reserve units once we explained to the commands what our purpose is and how we can better support them while they are deployed.

Mr. KINDERMAN. Senator, we have a vast number of posts and outreach efforts, and I would be glad to provide some information on that for the record, if I may.

Senator AKAKA. Mr. Surratt.

Mr. SURRETT. Senator, I am not sure whether we have our transition service officers—I am probably sure we don't have them stationed at the separation centers for Guard and Reserve, but we may very well travel on an itinerant basis. I would be happy to get that information and let you know. Certainly it is a good idea to have those areas covered.

Senator AKAKA. Mr. Blake.

Mr. BLAKE. Senator Akaka, given the smaller sphere which our service program operates within, I know that they have not reached out as much. At the national level we have not done so. However, a number of our chapters have created working relationships both with some of the active installations that they are near and some of the Guard armories that are in their vicinities as well, to assist them, partly because—with regard to the Guard and Reserve—these are civilians that many of our members within our chapters deal with on a regular basis outside of that Guardsman's or Reservist's service in the military.

Senator AKAKA. Mr. Jones.

Mr. JONES. Senator Akaka, earlier this year AMVETS entered into a memorandum of understanding with the National Guard. General Blum, our commander, and Commander Boettcher sat down and signed that memorandum of understanding in April of this year. It is a hand-in-hand relationship, that we work directly with the Guard and they with us, notifying us of their needs and we, in turn, working with our departments and posts to help the Guard make the transition and to help families as well, Guard-deployed.

Senator AKAKA. Thank you very much for all your responses.

Chairman CRAIG. We have been joined by Senator Thune. Any opening comments, general comments, and/or questions you would like to make, John?

**OPENING STATEMENT OF HON. JOHN THUNE, U.S. SENATOR  
FROM SOUTH DAKOTA**

Senator THUNE. Well, thank you, Mr. Chairman. I want to thank our panel for their service and their willingness to be here today and to respond to questions and react to some of the legislative proposals that are out there. Also, I just want to say that I look forward to working with you and the other Members of this Committee, as well as with Senator Akaka, to craft some—a package, I think, of legislation that would improve the quality of care that we provide for America's veterans.

I also would like to note that I have a couple of pieces of legislation, some parts of the bill that I introduced earlier, that has been referred to another committee, pieces of which I would like to have this Committee consider as well, and will be in touch with the Committee on that.

Also to note, Mr. Chairman, I understand that we have a bit of a funding issue that we need to deal with in the short term now with the VA, and to let you know that I look forward to working

with you and Senator Akaka and, again, with the other Member sort of this Committee, to make sure that we address that need and that the facilities that are out there around the country that have funding needs right now, that those are adequately addressed. So we look forward to addressing that. It is a serious need for our veterans across this country.

Thank you all.

Chairman CRAIG. John, thank you very much.

Before I release the panel, and for the audience that is present, Danny and I misconnected this morning. I did talk with Senator Murray and others, so let me bring you up to speed on some breaking news. Senator Murray, I, Senator Akaka, and all of the Committee that wishes to attend will be holding a press conference at 12:15.

I learned yesterday that the Department of Veterans Affairs is approximately a billion dollars short in funding this year due to a larger increase in demand for health care than was assumed as a result of the budget processes that they are going through and have gone through. I understand that they are 18 months in the process of projecting forward as they submit their budget applications. They had anticipated in their model about a 2.3 percent increase; it appears that increase is well over 5 percent, 5.2 percent. The VA has diverted at least \$600 million from capital and \$400 million from carryover. I talked with Secretary Nicholson this morning and told him in no uncertain terms how unhappy I was of this situation, that I would be informing my colleagues of it, and that we would expect to hold a hearing in this Committee next week on this issue.

The Secretary is, at this time, obviously moving very quickly to crunch numbers to better understand where we are and what will be needed and expected. I told him I wanted a very straightforward accounting and a realistic proposal before us as it relates to meeting current and future needs of our veterans, and that is what I would expect to hear early next week. As I said, we will be making statements on this in a press conference at 12:15 in the Senate Gallery.

I wanted you to know that, though, so there were no surprises.

Again, thank you all very much for your testimony this morning on this variety of pieces of legislation. We will stay in contact as information comes forward from you on the additional pieces that you did not have soon enough, as true of the VA, and we may be responding back to you in writing for responses to that.

Thank you all very much. The Committee will stand adjourned. [Whereupon, at 11:50 a.m., the Committee adjourned.]

## A P P E N D I X

PREPARED STATEMENT OF HON. JOEL HEFLEY, U.S. REPRESENTATIVE  
FROM COLORADO

Mr. Chairman, Ranking Member Akaka and Members of the Senate Committee on Veterans' Affairs, thank you for this opportunity to provide the Committee with my prepared statement for the record for today's hearing on pending legislation before the Committee.

Mr. Chairman, more than 2.5 million Americans, including veterans of every war and conflict—from the Revolutionary War to the Gulf War—are honored by burial in VA's National Cemeteries. More than 14,200 acres of land from Hawaii to Maine, and from Alaska to Puerto Rico are devoted to the memorialization of those who served this Nation. More than 300 recipients of the Medal of Honor are buried in VA's National Cemeteries.

Today, more than 25 million veterans and Reservists and National Guard members with 20 years qualifying service (who are entitled to retired pay or would be entitled, if at least 60 years of age), have earned the honor of burial in a National Cemetery. Veterans with discharges other than dishonorable, their spouses and dependent children may be eligible for burial in a VA National Cemetery. Those who die on active duty may also be buried in a National Cemetery.

Currently, there are 136 national cemeteries. The Veterans Administration, through its National Cemetery Administration (NCA), administers 120 of them. Two National Cemeteries—Arlington and Soldiers Home—are still administered by the Army. Fourteen National Cemeteries are maintained by the Department of the Interior.

Demographics are the primary driver in determining the scope and level of investment at NCA facilities around the country. Demographic data of the aging veteran population projected that 662,000 veterans deaths would occur in 2004. The number of veterans deaths will peak in 2008 at 676,000, and thereafter will decline slowly. In 2010, it is estimated that there will be 672,000 veterans deaths. As 11 new national cemeteries are established, VA projects increases in the number of annual interments from 93,000 in 2004 to approximately 114,700 in 2010, an increase of 23 percent. With the opening of new national cemeteries, annual interments are expected to increase at a higher rate than the number of veteran deaths. During this time, the total number of graves maintained is also expected to increase from nearly 2.6 million in 2004 to over 3.1 million in 2010.

As the Committee is aware, the Veterans Millennium Health Care and Benefits Act, Public Law 106-117, directed VA to contract for an independent demographic study to identify those areas of the country where veterans will not have reasonable access to a burial option in a national or State veterans cemetery, and the number of additional cemeteries required through 2020. The National Cemetery Expansion Act of 2003, Public Law 108-109, directed VA to establish six new national cemeteries in the areas of Bakersfield, California; Birmingham, Alabama; Columbia/Greenville, South Carolina; Jacksonville, Florida; Sarasota, Florida; and South-eastern Pennsylvania. These six areas were identified in the demographic study. Unfortunately, the Colorado Springs area did not make this list.

Let me just say that I am aware of an NCA rule requiring no National Cemetery within 75 miles of one another. Currently, Colorado Springs is approximately 72 miles from the Fort Logan National Cemetery in Denver, Colorado and almost 140 miles to the Fort Lyon National Cemetery in Las Animas, Colorado.

I mention that demographics is the primary driver in determining where National Cemeteries are to be located because, as the Committee may know, Colorado Springs, Colorado is the home to Fort Carson, Schriever and Peterson Air Force Bases, Cheyenne Mountain, which includes elements of the North American Aerospace Defense Command (NORAD) and the U.S. Northern Command (NorthCom), and the Air Force Academy. Combined, these installations are home to approxi-

mately 30,000 uniformed personnel, not including their dependants. And this population is expected to grow significantly after the 2005 Base Realignment and Closure round is completed.

Furthermore, the Department of Defense's Office of Actuary continues to rank the 5th Congressional District of Colorado, which includes Colorado Springs, third out of the 435 congressional districts as having the most military retirees, most recently: 1999—22,303; 2002—21,702; and 2004—21,904, not including their spouses. Additionally, the 2000 Census indicated as many as 103,391 veterans and 110,000 spouses in the Colorado Springs area who may be eligible for burial in a National Cemetery.

The current retiree/veteran demographics and the expected growth in these numbers clearly indicate the need for a National Cemetery in the Colorado Springs area. For this reason, Senator Wayne Allard and I introduced S. 551 and H.R. 1159, respectively. This legislation directs the Secretary of Veterans Affairs to establish a National Cemetery for veterans in the Colorado Springs, Colorado, metropolitan area.

Finally, each National Cemetery exists as a national shrine, a place of honor and memory that declares to the visitor or family member who views it, that within its majestic setting, each and every veteran may find a sense of serenity, historic sacrifice, and nobility of purpose. National Cemeteries also carry expectations of appearance that set them apart from private cemeteries.

Mr. Chairman, the National Cemetery Administration states that their mission is to honor veterans with a final resting place and lasting memorials that commemorate their service to our Nation. And I believe Congress has a duty to provide those benefits that fully recognize the service and sacrifices made by those men and women who wore the uniforms of this Nation. Locating a National Cemetery in the Colorado Springs area will achieve these goals.

Mr. Chairman, I look forward to the opportunity to provide any additional information to clarify any concerns you, the Committee or your staff may have. Again, thank you and the Committee for the opportunity to provide you with this statement for the record.

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#### PREPARED STATEMENT OF THE MORTGAGE BANKERS ASSOCIATION

The Mortgage Bankers Association (MBA) appreciates the opportunity to express our views to the U.S. Senate's Veterans' Affairs Committee on S. 1235, the Veterans' Benefits Improvement Act of 2005, introduced by Senator Craig (R-ID). The intent of S. 1235 is to amend the provisions of U.S. Code Title 38 Section 3707(c)(4) to allow the Secretary of the Department of Veterans Affairs (VA) to establish the annual interest rate adjustment cap under VA's hybrid ARM program. MBA fully supports the change proposed through S. 1235 to the VA's Home Loan Guaranty Program.

MBA is a strong advocate of the home financing program offered by VA's Loan Guaranty Service. Since 1949, this program has provided an important homeownership benefit to those men and women who have served their country through their service in the armed forces. The vast majority of VA guaranteed loans made each year are made by MBA members. MBA members are proud of their involvement in this program.

Over the past 2 years, with guidance and support from this Committee, dramatic improvements have been made to the VA's Home Loan Guaranty Program: the guarantee amount has been increased and indexed to the conforming loan limit, the guarantee fee for reservists has been lowered, and VA guaranteed hybrid adjustable rate mortgage (ARM) products have been introduced. These changes, in conjunction with processing changes undertaken at VA, have greatly improved the home loan benefits available to veterans.

Today, MBA would like to bring your attention to a technical change, incorporated in S. 1235, that is required to VA's authorizing statute that will allow it further to improve the delivery of affordable home financing to veterans.

#### BACKGROUND ON HYBRID ADJUSTABLE RATE MORTGAGES

Hybrid ARMs are mortgages that have a fixed interest rate for an initial period of time, after which the rate adjusts annually based on a certain spread over an agreed upon index rate. Typically, hybrid ARMs have a three-, five-, seven-, or ten-year fixed period, with the interest rate adjusting annually thereafter. These are commonly referred to as 3/1, 5/1, 7/1 and 10/1 hybrid ARMs. Due to the fact that a hybrid ARM converts to an adjustable rate mortgage after the initial fixed interest rate period, lenders can offer these loans with an initial interest rate that is lower

than the interest rate for a 30-year fixed rate mortgage. The lower rates available with hybrid ARMs enable more families to qualify for home loans.

Hybrid ARMs typically have three important caps on the amount the interest rate to the borrower can change at any given time, regardless of the change in the underlying index rate. These interest rate caps are the initial rate cap, the annual rate cap thereafter, and the lifetime rate cap.

#### BACKGROUND ON THE VA HYBRID ARM PROGRAM

The VA began guaranteeing hybrid ARMs starting October 1, 2003.

The current authorizing statute for VA's hybrid ARM program allows the Secretary to establish the initial rate cap and the lifetime rate cap. The statute specifies though, that the annual rate cap cannot exceed 1 percent.

The Department of Veterans Affairs issued Circular Letter 26-04-12 on December 10, 2004, implementing newly authorized statutory caps as outlined above. The circular established VA's regulation that 5/1, 7/1, and 10/1 hybrid ARMs can have an initial rate cap of 2 percent and a lifetime rate cap of 6 percent.

#### THE VA HYBRID ARM ANNUAL CAPS ARE NOT CONSISTENT WITH FHA HYBRID ARM CAPS

On April 7, 2005, Ginnie Mae issued ARM 05-07 announcing that it would accommodate the new Federal Housing Administration's (FHA) 5-year hybrid product in pools of mortgages with 6 percent caps on the lifetime mortgage interest increase and initial and annual caps of 2 percent. FHA has that product but, due to the current statutory constraints on its annual caps, VA does not.

To obtain the best mortgage interest rate for a borrower, the loan must have terms that are acceptable to the secondary mortgage market. In the secondary market, loans with similar terms are combined together into "pools." The rights to the cash-flows that result from homeowners making their monthly payments are then securitized as "mortgage-backed securities" (MBS) and sold to investors. Through purchasing these securities, investors are essentially sending funds back to originators who can then make additional loans to homebuyers.

In order to make these pools more attractive to investors, Ginnie Mae guarantees the cash-flow to the investors on pools of FHA and VA loans. The guarantee lowers the risk of these pools to investors, and thus lowers the cost of financing to originators and to homebuyers.

In order for the VA 5-year hybrid ARM to be offered at the best possible mortgage interest rate, the mortgages must be eligible for pooling as Ginnie Mae MBS. The 1 percent annual cap limitation on VA 5-year hybrid ARMs means that they cannot be pooled with FHA 5-year hybrid ARMs with 2 percent annual caps.

The reason for the lack of pooling homogeneity is that the market will pay more money for a mortgage with a 2 percent annual cap than for a mortgage with a 1 percent annual cap. If the current FHA and VA 5-year hybrid ARMs, which are identical except for the annual caps, were pooled together, the value of the FHA mortgage loans would suffer. The result would be higher initial mortgage rates for FHA borrowers with 5-year hybrid ARMs. Ginnie Mae's program quite sensibly does not allow that consequence to occur and the program calls for initial, annual and lifetime caps to be the same for all of the mortgages in a pool. The 2 percent annual cap parameter in Ginnie Mae's program is the level acceptable to the market.

VA borrowers will have to pay higher mortgage rates on their 5-year hybrid ARMs until the agency is in a position to set its annual caps to allow the most efficient mortgage product to be offered to veterans.

#### VA SECRETARY SHOULD BE AUTHORIZED TO ESTABLISH HYBRID ARM ANNUAL CAPS

MBA believes that VA's authorizing statute for the hybrid ARM program should be amended to allow the Secretary to determine the annual rate adjustment for hybrid ARM products. Such a change will make VA's statute consistent with FHA's, which does not prescribe an annual rate cap, and will give VA flexibility in adjusting its caps in the future, as needed, to remain consistent with FHA.

This consistency is crucial to the VA Home Loan Guaranty product's ability to garner the lower costs of financing for veterans that comes with being pooled together with FHA-insured loans.

Thank you for giving MBA an opportunity to express our views on S. 1235. We look forward to working with you on the passage of a bill that will allow the VA hybrid ARM program to obtain the benefits of economy of scale and lower the cost of this type of financing to America's veterans.

We would be happy to furnish any additional information the Committee may require.

LETTER OF SUPPORT FROM MORTGAGE BANKERS ASSOCIATION, NATIONAL  
ASSOCIATION OF HOME BUILDERS, NATIONAL ASSOCIATION OF REALTORS

JUNE 22, 2005.

Hon. LARRY E. CRAIG, *Chairman,*  
*Committee on Veterans' Affairs,*  
*U.S. Senate,*

Dear MR. CHAIRMAN: The undersigned organizations submit this letter in strong support of the provisions of S.1235, the "Veterans' Benefits Improvement Act of 2005", introduced by you on June 14, 2005, dealing with the hybrid adjustable rate mortgage (ARM) product of the Veterans Home Loan Guaranty program.

Our organizations have consistently been strong advocates of the home ownership opportunities offered through the VA Home Loan Guaranty Program to those men and women who have served our country through their service in the armed forces.

The VA Hybrid ARM Program, implemented in October 2003, has offered veteran families a greater ability to obtain a lower home mortgage interest rate. Hybrid ARMs are mortgages that have a fixed interest rate for an initial period of time of three, five, seven, or ten years with the interest rate adjusting annually, thereafter. These are commonly referred to as 3/1, 5/1, 7/1 and 10/1 hybrid ARMs.

Due to the fact that a hybrid ARM converts to an adjustable rate mortgage after the initial fixed rate period, lenders can offer these loans with an initial rate that is lower than the interest rate for a 30-year fixed rate mortgage. The lower rates enable more families to qualify for home loans.

Hybrid Arms have three important interest rate caps-initial, annual, and lifetime. The VA Secretary has authority to establish the initial and lifetime caps, but the annual cap is limited to 1 percent. The Federal Housing Administration (FHA) has a comparable ARM program. The difference between the two programs is that the FHA has set its annual cap limit at 2 percent. As a result, Ginnie Mae has determined that the FHA and VA hybrid ARMs must be securitized in separate pools, putting the VA hybrid ARM on an unequal basis.

Our associations support the provisions in S.1235 that would allow the VA Secretary to determine the annual rate adjustment for VA hybrid ARM products. Such flexibility will allow the VA Secretary to ensure that hybrid ARMs offered by VA can be pooled with FHA's product. Veterans will, therefore, receive more affordable financing due to the benefits of economy of scale.

We appreciate the opportunity to offer our views on this issue.

MORTGAGE BANKERS ASSOCIATION,  
NATIONAL ASSOCIATION OF HOME BUILDERS,  
NATIONAL ASSOCIATION OF REALTORS.

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