S. HRG. 109–667

FIELD HEARINGS FOR FISCAL YEAR 2007

HEARINGS

BEFORE THE

COMMITTEE ON THE BUDGET UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

January 16, 2006—CHALLENGES IN ADDRESSING THE METHAMPHETAMINE CRISIS

June 1, 2006—BUDGET IMPLICATIONS OF MEETING VETERANS' HEALTH CARE NEEDS

June 2, 2006—THE IMPACT OF FEDERAL FUNDING ON HIGHER EDUCATION

August 30, 2006—BUDGET IMPACT OF CURRENT AND PROPOSED BORDER SECURITY AND IMMIGRATION POLICIES

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CHALLENGES IN ADDRESSING THE METHAMPHETAMINE CRISIS

MONDAY, JANUARY 16, 2006

U.S. SENATE,
COMMITTEE ON THE BUDGET,
Washington, DC.

The committee met, pursuant to notice, at 2:03 p.m., in the Prairie Rose Room, North Dakota State University, 1401 Administration Avenue, Fargo, North Dakota, Hon. Kent Conrad, presiding.

Present: Senator Conrad.

Also present: Senator Dorgan.

Staff present: Shelley Amdur, Peggie Rice, and Cathy Peterson.

Senator CONRAD. Let me call this hearing of the Senate Budget Committee to order. Let me just indicate the rules under which we are proceeding. This is a formal hearing before the Senate Budget Committee. Are you able to hear?

[Chorus of noes.]

Senator CONRAD. Can you hear me now? Did that do it?

[Chorus of yeses.]

Senator CONRAD. Hallelujah. This is a formal hearing before the Senate Budget Committee and so we will operate under the rules of the Senate Budget Committee. That means we have a witness list that will be recognized for their testimony. We ask those in the audience not to register either agreement or disagreement with the statement of witnesses. And after we have had a chance to hear the testimony of witnesses, we will then open it up for those in the audience for their questions or their comments or if someone wants to provide additional testimony.

I want to begin with the mayor of Fargo, Mayor Bruce Furness. Mayor Furness has been long active in the issues of taking on drug abuse and specifically the threat of methamphetamine. Mayor Furness.

Mayor Furness. Power, there we go. Thank you, Senator Conrad. And my purpose is quite simple, simply to welcome you to our community for this hearing. This is a very important hearing and we thank you for having this hearing in our community and in our metropolitan area. Methamphetamine is a huge problem I think everybody in this room is aware of and that's why we're all here. It is somewhat discouraged of our society and you'll hear expert testimony this afternoon about the situation here in our area.

We've tried to take a proactive stance in this community. We had a—kind of a general awareness, kind of an open house situation, back in May of last year in which we had about 45 hundred people come and then we did that again in about 6 months later at the

Fargo Dome in which we had about 5,000 people come, so I think it's fair to say there is interest and concern among the general population about this problem.

At those events, I was impressed with the number of young people that were there by themselves. I was impressed with the number of families that came together trying to understand this problem and just the general awareness and concern that people expressed at that time.

It's a cause of—methamphetamine is a cause of many of our crime problems in our city. It is tied to the homicides that we have had. It's part of a public health problem as well as a police problem, and one of the issues that we have been working with as a city is the cleanup of meth labs, so once again it's a huge, huge problem.

It's probably one of the most important hearings that you will conduct in this area. We're making some progress, as I think will be explained by Attorney General Stenehjem, in terms of what's going on in North Dakota and hopefully you'll understand and have a much better appreciation of what the scope of this problem is in our community as a result of these hearings. So thank you once again for being here. We really do appreciate it.

Senator CONRAD. Thank you so much. Mayor Furness, thank you for your leadership on these issues. I also want to recognize distinguished members of our audience who are with us today, including former Governor George Sinner. Thank you, Governor Sinner, for being here.

Also, Judge Rodney Webb, U.S. District Judge. Thank you, Rodney.

Senator Larry Robinson, State Senator Larry Robinson, who founded the Robinson Center, which is so important to recovery.

Senator Judy Lee, Senator Richard Brown, Representative Kim Koppelman, Representative Kathy Hawken, Representative Pam Gulleson.

We also have with us Tim Mahoney, a City Commissioner. I want to recognize all of them and thank them for being here. We also have with us Jeff Behrman, the resident agent in charge for the Federal Bureau of Investigation. Thank you for being here as well.

There are many other distinguished people in the audience. I won't go through all of them because of time, but I do want to thank everyone for participating in this hearing, and I think all of us understand the extraordinary threat meth represents to our family and to our communities and how important is it that we confront it.

Let me indicate that the reason for this hearing is very simple. As we went through the legislative process last year, we soon saw that other parts of the country are not as sensitive to the meth threat as is the Midwest. We found, as we battled for resources to combat meth, that our colleagues, especially on the East Coast, just did not have the same sense of urgency that those of us especially from the Midwest feel.

In talking to my colleagues, I was asked as a ranking member of the Budget Committee to hold a hearing. I want to thank Sen-

ator Judd Gregg, the chairman of the committee, for allowing me to conduct this hearing.

Just so you know, within the Senate that's an unusual thing to have the chairman of the committee allow the ranking member to conduct a hearing. That is very gracious by Senator Gregg. He and I have had a very positive working relationship. He understands how serious the threat is to the people that I represent and indeed to the country, so I especially want to thank Senator Judd Gregg for this opportunity.

I also want to thank my colleague, Senator Dorgan, for joining me here today, and after I have made an opening statement, he will make a statement as well, and then we will go to our first witness, and our first witness will be the Attorney General of the State of North Dakota, Wayne Stenehjem.

With that, I want to welcome all of our witnesses today. This is an important issue, one that requires our urgent attention. Make no mistake about it, methamphetamine is a crisis. It is a serious problem in North Dakota and it is a growing problem across the country.

In the Senate, I have worked on this issue for almost a decade. In 1998, I secured the inclusion of North Dakota in the Midwest High Intensity Drug Trafficking Area, making Federal antidrug trafficking funding available to our State. I also worked to prevent the elimination of Byrne Grants and convinced the Drug Enforcement Agency to open an office in western North Dakota.

I have also supported prevention efforts and helped secure 4.2 million dollars for Minot State's Rural Meth Education Project, a project that Senator Dorgan has played such a critical role in pursuing. Most recently I helped create the Senate Antimeth Caucus to organize a bipartisan group of Senators. I am proud to say as of today, 48 of the 100 Senators have joined the Antimeth Caucus, but we all know more needs to be done.

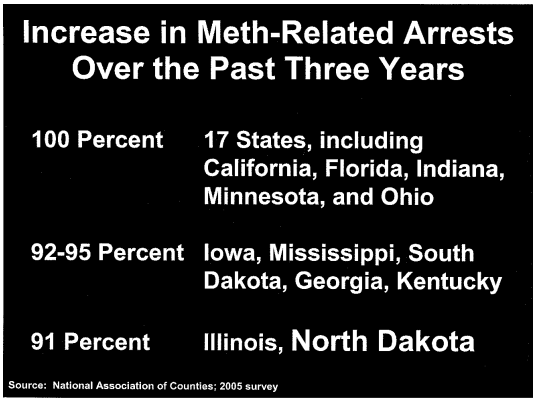
It really struck me as we went through the process this year of how some of our colleagues just did not see meth as an urgent matter. They recognized that it was a problem in more rural parts of the country, but they were not feeling the threat and so the importance of this hearing today.

The Antimeth Caucus is focused on educating our colleagues about this critical matter in order to motivate them to act and to act now. The goal of this hearing is to explore the partnership among Federal, State, and local governments in combating the problems brought on by methamphetamine. In particular, we will explore what have the Federal, State, and local governments done so far.

Two, what are the unmet needs in North Dakota? That is, are communities getting the resources that they need to combat this growing threat.

Three, given the budget constraints at all levels, can we be smarter and more cost-efficient in our response. Over the past decade, the emergence of methamphetamine as an accessible, inexpensive, and highly addictive drug outside of urban areas is proven an enormous problem for large parts of the United States. Methamphetamine use has especially hit very hard rural communities.

In a recent survey released by the National Association of Counties, 87 percent of the responding law enforcement law agencies indicated an increase in meth-related arrests compared to 3 years ago. In North Dakota, we saw a 91 percent increase in arrests.



Let us go to the second chart, if we could. Simply looking at the number of users or arrests doesn't tell the whole story. The meth crisis has put an enormous strain on small communities and I have heard this all across the State of North Dakota.

Meth Crisis Strains Local Resources

- Law Enforcement
- Social Services
- Health Care
- Toxic Waste Cleanup
- Corrections

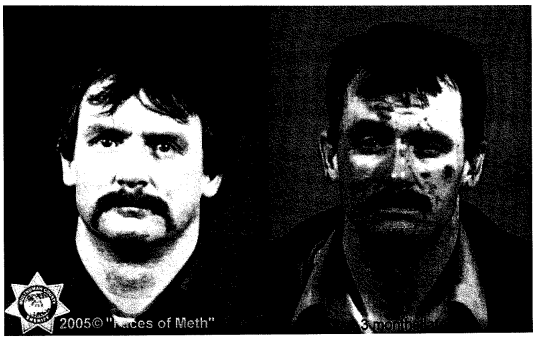
Law enforcement agencies are not only charged with tracking down manufacturers and users of meth, they are also impacted by increases in violent crime due to the violent tendencies of meth-amphetamine users and, by the way, I remember very clearly law enforcement people telling me their worst nightmare is to confront a meth user.

Social services have increased case loads. The health care system is strained by treating meth users. The manufacturer of meth leaves behind a toxic stew of contaminants that continues to be dangerous long after production has stopped, and State and local corrections facilities face higher health care and other costs for incarcerating meth users and that doesn't even begin to get at the human toll.

Many of us have seen these before and after photos. They are stunning images of the physical damage caused by meth. Imagine what is happening to their bodies on the inside. These pictures are truly stunning, these before and after pictures. This one a year and a half after being on meth. A person is devastated.

This person, 3 months after starting a meth addiction and this woman two and a half years later. Absolutely destroyed.

That is not to say we don't have challenges to overcome even though progress has been made. That is why we are meeting together here today. Here is some of the recent headlines from a North Dakota newspaper showing how serious this problem has become in our State.


2005© "Faces of Meth"

One headline, "Busts fall but meth use high," "Students' drug use sobering, indeed," "60 percent of jail inmates thought to be connected to meth." Think of that, 60 percent of jail inmates connected to meth. "Task force losing one officer in 2006." On and on it goes, stories of vicious assaults by meth addicts.

Monday, March 21, 2005

THE BISMARCK TRIBUNE

Editorial Board

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Frederic Smith, Opinion Page Editor

Students' drug use sobering, indeed

It's not news that illegal drugs are a problem.

They're a problem in America, North Dakota and Bismarck-Mandan.

It's really not even news that alcohol and illegal drugs are a

Burleigh officials looking at new jails

Commissioners study plans, jails in four N.D. cities

GRAFTON, ND

Sunday, October 2, 2005 ■ Page 3

Tainted youth

Horrors of meth hide beneath rural tranquility

BY CHRISTINE JENSEN
STAFF WRITER

COUNTY—They have seen the dark side — the children and their societal protectors.

Way beyond

clothes are pi

stacked in un

spread haphazar

floors, thin blank

Busts fall but meth use high

WILLISTON (AP) — Methamphetamine lab raids in northwestern North Dakota paralel the rest of the state, officials of the state, four Williams County Sheriff Scott Duerling in Sagatical that actual use of the illegal drug is declining.

Attorney General Wayne Stenehjem said last month that new restrictions on cold pill sales have hurt the meth industry, but officials said it

Federal budget cuts affect local task force and Barnes County

By Scott Webster
VB Staff Writer

Barnes County will feel the effect of federal budget cuts come January when one officer on the Stutsman-Barnes Narcotics Task Force will be eliminated.

This is the certain outcome of the latest legislative session in which federal funds were redirected from the Edwards Memorial

"It is frustrating that we can get funds to buy equipment, but nothing is avail."

60 percent of jail inmates thought to be connected to meth

Jails: Medical n

Task force losing one officer in 2006

Cut in federal grant funds may result in one officer for Stutsman County moving to Barnes County

WALSH COUNTY

Two face charges in assault

Prosecutor says meth involved in brutal attack

ASSAULT/

Congress has repeatedly overcome opposition to funding many of the programs that State and local governments have told us are important to combating meth. Let me just go over in 2005 Byrne/JAG funding was at 529 million dollars. The President's request for 1906 was zero.

The COPS Program was funded at 499 million dollars in 2005, the President recommended lowering it to 22 million dollars.

Juvenile Justice Programs funded 359 million dollars in 2005, the President proposed no funding.

Drug courts were at 42 million dollars in 2005. There the President proposed an increase to 70 million dollars.

Weed and Seed, 61 million in 2005, the President proposed just about that amount.

High Intensity Drug Trafficking Areas funded at 227 million in 2005, the President proposed cutting it by more than half. So the total in 2005 we were at 1.7 billion dollars. The President recommended cutting that to 252 million. Congress did not accept the President's recommendation, instead funded these programs at 1.4

billion dollars, still less than 2002 but far more than the President proposed.

Congress Restores Proposed Cuts to Law Enforcement

(Budget authority in millions of dollars)

	2005	President's 2006 Request	2006
Byrne/JAG	$529	$0	$316
COPS	$499	$22	$472
COPS Meth	*$53*	*$20*	*$64*
Juvenile Justice Programs	$359	$0	$339
Drug Courts	$42	$70	$10
Weed and Seed	$61	$60	$49
High Intensity Drug Trafficking Areas	$227	$100	$225
Total	$1,717	$252	$1,410

Note: 2006 numbers include across-the-board cuts enacted in final appropriations bills.
Source: OMB, SBC Democratic staff

Let me just say this is a matter that involves all of our communities. I have been in towns where people have told me their own child have been diagnosed as meth addicts and people have told me it is destroying their families. I take this as seriously as any threat to our State that we see now or even on the horizon.

Over and over people have come to me across North Dakota, people in law enforcement, people who have tried to deal with addicts through treatment, others in the community, just concerned citizens who have said they are appalled by what they are seeing.

Last night I was in Grand Forks, North Dakota, and people told us that in the community they are seeing children virtually abandoned by parents who are meth addicts. Situations in which kids had to go to the neighbors to get something to eat because there was no food in the refrigerator and their parents were not parenting.

People told us last night in Grand Forks you have to share the message here of how serious a threat this represents to our com-

munities and to our families and really that is what this hearing is about, to try to communicate to our colleagues how serious this is and that we must take more aggressive steps to confront it.

With that, I want to call on my colleague, Senator Dorgan, for his opening statement.

Senator DORGAN. Thank you very much and thanks to all of you for being here. I think the point with respect to Senator Conrad's hearing, and I am pleased to join him, is the first step in determining the resources available to address these issues.

The first step is in the development of the budget to find out how much in resources will be devoted to which functions, and in the U.S. Senate the two people that are key to that are the chairman and the ranking member and that is Senator Judd Gregg and Senator Kent Conrad, and so it is appropriate, especially in January as we begin to think about the budget process where our Senator will play such a key role, think about the resource needs and what we need to do, particularly in rural States, to address this issue and so, Kent, thank you for the priority on this.

Let me just mention that meth, as most of you know, is what's called a synthetic stimulant. It is distributed under many different names, crank, speed, crystal, sold in powder perform commonly but it has been distributed in tablets or crystals as well.

Meth was originally synthesized by the German and used by the Nazi regime for the Luftwaffe pilots, among other things, and also to provide to German soldiers to create more aggressiveness.

Addiction to meth sets in after only a few doses. In fact, meth hooks about 40 to 60 percent of the first-time users and that describes how deadly this drug is. Forty to 60 percent of the first-time users are hooked on this drug and the relapse rate for meth addicts that undergo treatment is somewhere between 70 and 80 percent.

Meth users are essentially ingesting a poison. They become paranoid, they become violent. Their teeth fall out. They cannot stop using. Nobody knows more about this than law enforcement because they see it every day and every night and they confront it.

The Department of Drug Enforcement, the DEA, Drug Enforcement Agency, at one point we had a forum here in North Dakota. Senator Conrad and I and Congressman Pomeroy have worked to create at Minot State University a Rural Methamphetamine Education Demonstration Program and it has been very successful over now about 4 years and to begin developing outreach, not only for information but for law enforcement training.

As we did that, we had a forum with Dennis Whitaker, who is a senior DEA official, Drug Enforcement Agency official, and he came to North Dakota to talk about this meth crisis and he brought some pictures along that I, too, will show you a series of pictures of one woman and it left quite an impact on me.

I know that the Attorney General was there and others of you were there as well, but let me show you a woman who during 7 years of taking meth. This is from the Drug Enforcement Agency. This is a woman in Florida. She began taking meth at about this point and was arrested and let me show you the second photograph.

The second photograph is about half a year later, and let me show you the third photograph. And, finally, the fourth photograph

and the fifth photograph and the last photograph. This over a 7-year period a woman addicted to methamphetamine. It destroys lives.

The interesting thing about this deadly drug is that rural areas are seeing this drug move in very quickly. In North Dakota, I believe we have found people cooking methamphetamine in ice fishing houses, in abandoned farm homes. We have rural areas where not many people live and there are abandoned buildings, and law enforcement finds that that is conducive to people who want to go someplace out in a remote area and cook some drugs.

Aside from marijuana, meth is the only widely abused illegal drug that can be easily produced by the actual abuser. And my understanding is about $100 worth of materials can cook about $1,000 worth of methamphetamine and so this started very quickly in rural States.

And in North Dakota in 1999, not many years ago, there were 17 meth lab busts in North Dakota. 2004 is the last year for which I have figures and perhaps the attorney general can update us on that. 1999, 17 meth lab busts in our State. In 2004, 260 meth lab busts in our State.

And I think that the map that Senator Conrad has included on the big screen shows what has happened in rural States, large States, States where you have rural populations widely distributed, and the movement of the production of methamphetamine and, therefore, the addiction to methamphetamine into those very areas.

So let me conclude again by saying I think it is really important to have the first step in the process in the Congress, that is the budget step, to determine priorities, for Senator Conrad to host these hearings. Because if we don't get the priorities right at the first step, law enforcement does not have the resources in the subsequent steps throughout the year to do the drug busts, to deal with the drug addiction, to do all the other things necessary to address this problem so, Senator Conrad, thank you inviting me here with you today.

Senator CONRAD. Thank you, Senator Dorgan. I appreciate very much. I will call the first witness, who will be Attorney General of North Dakota, Wayne Stenehjem. Wayne Stenehjem has a long history of public service in North Dakota. He served in the North Dakota House of Representatives, he was a State Senator, elected Attorney General of the State of North Dakota. He has been very focused on the methamphetamine threat in North Dakota.

A number of months ago when we were deciding to hold this hearing, I talked to the attorney general and asked if he would be the lead witness to help make the case of how serious the threat is and very graciously he agreed so, Attorney General Stenehjem, thank you very much for being here today and please proceed.

STATEMENT OF WAYNE STENEHJEM, NORTH DAKOTA ATTORNEY GENERAL

Mr. STENEHJEM. Thank you very much, Senator Conrad and also Senator Dorgan, for being here. I want to tell you before I commence that I appreciate the opportunity. We've all had to visit about this problem and the issues as it affects North Dakota both in—here in North Dakota and on visits out to Washington.

I know you understand the extent of the problem here. I hope that through the Meth Caucus that you will succeed in helping to get the same information out to your colleagues, because I think there are some of them who really do need to become aware of the extent of the problem.

North Dakota is in the midst of a methamphetamine crisis. In a relatively short period of time, this extremely addictive drug has ruined the lives of thousands of men, women, and children in North Dakota. The devastating effects of meth are evident even in the smallest communities, and the impact of meth addiction is being felt across the State, stretching thin the budget of both local and State government agencies.

You, Senator Conrad and Dorgan, have mentioned the statistics in North Dakota. You can see them on the chart behind me. I think it should be possible to see it. In 1997 is when we had our first meth lab in North Dakota and in 2003 we were up to 297.

The impact on State resources has been overwhelming. For instance, in 2004, the North Dakota Department of Corrections reported that over 60 percent of the inmates at the penitentiary were either addicted or at least had used methamphetamine. We had to build a new women's prison in southwest North Dakota to deal largely by and large, overwhelmingly, with meth addiction.

What has North Dakota done to combat methamphetamine? The State has added three criminal investigators at the Bureau of Criminal Investigation and one forensic scientist position at the North Dakota Crime Lab, both of which are part of my office, increasing my agency's budget by more than $513,000.

We introduced the North Dakota Retailer Meth Watch Program to train retailers to help identify suspicious drug-related purchases.

Implemented the Commission on Drugs and Alcohol Abuse, to study substance abuse in North Dakota. After a series of public forums across the State, and studies involving State, local, and tribal agencies, the commission recommended more aggressive laws to restrict precursor ingredients, additional options for addiction treatment, enhanced criminal penalties, protections for children exposed to controlled substances, and an appropriation to reimburse specialized SWAT teams.

We enhanced criminal penalties; for example, child endangerment, brought felony penalties for exposing children to meth, to the meth manufacturing process.

We've expanded the definition of deprived child to make it easier to remove children from dangerous homes.

We provided mandatory prison terms for armed drug offenders, made it a criminal offense to ingest controlled substances.

Treatment is the second prong. We provided flexibility under group insurance plans for treatment needs that are unique to meth addiction and provided mandatory treatment of up to 18 months for first-time drug offenders in lieu of a criminal sentence, which is a program awaiting Federal grant funding which has been up until now denied.

We've provided coordination at the local level of treatment providers and State and local agencies who address the unique needs of children exposed to the manufacture and use of meth in their homes and to bring children [sic) to justice.

One of the unique things that we have done in North Dakota that has yielded positive results, perhaps the first good news we've seen, is the restriction on pseudoephedrine. Pseudoephedrine is the key ingredient in many cold medicines. It's the one ingredient you have to have to manufacture methamphetamine.

We restricted products and require that they be kept behind a counter or that only one package be displayed and that under constant video surveillance. The purchaser has to provide identification. They can buy no more than two grams of the product in a single purchase and it includes the liquid and the gel-caps as well.

Purchasers must be over 18 and they have to show, as I mentioned, a government-issued ID card and the retailer has to maintain a log of each purchase and show it to law enforcement when they come to ask for it.

I want to show you, if I could go to the next chart, the dramatic impact we have seen in North Dakota's meth lab problem as a result. This is where we were headed. The red chart, the red bars, show where we were in 2004. We were on our way to yet another record year of meth labs, probably over 360, about one meth lab in North Dakota every day.

Then on June 1, our new law took effect and, Karin, if you will show the next. The new restrictions took effect and the result was immediate and dramatic, and you can see that the number went down in the first month by 62 percent. By November and December, we had one and two meth labs in the entire State in those months respectively. The result shows that we can reduce and the reductions are better than 90 percent.

States have not—States that have not enacted restrictions on pseudoephedrine precursors have experienced a disturbing new trend, meth cooks traveling from restricted States to buy or steal the pseudoephedrine they need to keep cooking meth.

In fact, that is exactly what happened in western Minnesota after North Dakota's first law took effect. Cooks in Grand Forks, Fargo, and other communities in North Dakota simply crossed into Minnesota, South Dakota, Montana and, yes, to Canada to buy or steal what they needed to keep cooking.

But home-grown meth labs are only a smart part of the problem. In fact, approximately 90 percent of the meth in North Dakota comes from out of State, not from these local meth labs. They come from "super labs" in California and Texas, for example, and increasingly especially from outside the United States, particularly from Mexico. Our drug agents and local law enforcement agencies are working to stem the flow of meth coming into the State.

The Federal Government's assistance and support in our fight against meth is essential. In particular, the need to change both the funding levels and the allocation formula for the Edward Byrne Memorial Justice Assistance Grant is crucial.

In fiscal year 2004, North Dakota received a total of 2.4 million dollars under Byrne Grant and LLEBG funds. Under the JAG program, which was the combination, North Dakota in 2005 received just 1.2 million dollars.

And for fiscal year 2006, North Dakota will receive only $730,000. As a result of combining these two programs into JAG, North Dakota has seen a 70 percent decrease in funding. This re-

duction will dramatically affect our ability to keep our nine tasks forces across the State operational, and I know the two Senators know this but I mention it because I want it in the record as we have worked on this, but I want it emphasized in the record that this is the impact that it is having in North Dakota.

Not only are funds reduced but the JAG formula allocates half of the funds based on population and the other half based on crime statistics. The formula, therefore, penalizes low-population States like North Dakota that have successfully kept violent crime rates low. It is imperative that both the funding level and the formula be changed to ensure that the basic needs of rural States like North Dakota are met.

As a result of the dramatic increase in meth activity in North Dakota, High Intensity Drug Trafficking Area funds have been used to bolster our ability to fight meth. Historically, our State has received approximately $575,000 annually to partially support the work of investigators, forensic scientists, and a prosecutor.

The solution to the meth problem in this State and across the country is a continued partnership among Federal, State, and local resources. The most important steps to combat the methamphetamine manufacture and use are as follows in my opinion:

Enact nationwide restrictions on sales of pseudoephedrine precursors. I know there is legislation pending. It was originally part of the Patriot Act that ran into the obstacles that it did, but I'm told that that legislation will be given priority early on this year. I can't overemphasize that in the States that have enacted restrictions like we have, Oklahoma, Iowa, you name it, they've all seen similar reductions in the number of meth labs.

Address the importation of meth and meth precursors from outside the United States. We can't do that here in North Dakota. A lot of—the bulk of the pseudoephedrine comes from southeast Asia, works its way up into Mexico. Only the Federal Government can deal with it on that level.

And, finally, fully fund the Justice Assistance Grant, including an appropriations floor, for rural States such as North Dakota.

Again I appreciate Senator Conrad here, coming here for this important subcommittee meeting in North Dakota, and I look forward to continuing to work with you to tend the tide of this horrible, horrible drug.

[The prepared statement of Mr. Stenehjem follows:]

Event: Senate Budget Committee Hearing
Date/Time: January 16, 2006
Testimony of Attorney General Wayne Stenehjem

The problem

North Dakota is in the midst of a methamphetamine crisis. In a relatively short period of time, this extremely addictive drug has ruined the lives of thousands of men, women, and children in North Dakota. The devastating effects of Meth are evident even in the smallest communities, and the impact of meth addiction is being felt across the state, stretching thin the budget of both local and state government agencies.

In 1995, there were only 3 meth lab busts in North Dakota. Five years later, 46 labs; by 2004, the number of meth lab busts had risen to 290. The impact on state resources has been overwhelming. For instance, in 2004, the North Dakota Department of Corrections and Rehabilitation reported that over 60% of current inmates have used methamphetamine.

What has North Dakota done to combat methamphetamine?

- The state has added three criminal investigator positions at the Bureau of Criminal Investigation and 1 forensic scientist position at the North Dakota Crime Laboratory, increasing the agency's budget needs by more than $513,000.
- Introduced the North Dakota Retailer Meth Watch Program to train retailers to identify suspicious drug-related purchases.
- Implemented the Commission on Drugs and Alcohol Abuse, to study substance abuse in North Dakota. After a series of public forums across the state, and studies involving state, local, and tribal agencies, the Commission recommended more aggressive laws to restrict precursor ingredients, additional options for addiction treatment, enhanced criminal penalties, protections for children exposed to controlled substances, and an appropriation to reimburse specialized teams from urban areas in assisting rural law enforcement raids on meth labs.
- Enhanced Criminal Penalties
    - Child endangerment – felony penalties for exposing children to meth manufacturing process;
    - Expanding definition of deprived child to make it easier to remove children from dangerous homes
    - Mandatory prison term for armed drug offenders

- Ingesting controlled substances

- Treatment
  - Provide flexibility under group insurance plans for treatment needs unique to meth addiction
  - Mandatory treatment of up to 18 months for 1st time drug offenders, imposed in lieu of criminal sentence.
    - This pilot program was dependent upon receipt of federal grant funding, which has been denied.

- Drug Endangered Children program
  - Provides coordination at the local level of treatment providers and state and local agencies who address the unique needs of children exposed to manufacture/use of methamphetamine in their homes, and bring parents to justice.

- Restrictions on Pseudoephedrine
  - Restricted product must be kept behind counter or only 1 package displayed on shelf or product kept under video surveillance.
  - No more than 2 grams of restricted product can be sold in a single sale. Single and multi-source medicines are included. Restrictions include liquid & gel-cap formulations, but do not apply to pediatric medicines.
  - Purchaser must be over 18 and show government issued photo ID card. Retailer must maintain a written log of each sale, including purchaser's name, address, date of birth, and license or ID number. The log is confidential except for law enforcement purposes, and must be kept for 3 years.

After the law restricting the retail sale of pseudoephedrine products took effect, North Dakota saw a 70% reduction in the number of meth labs. States that passed similar laws restricting the availability of pseudoephedrine have had the same results – a dramatic decrease in the number of meth labs.

States that have not enacted restrictions on pseudoephedrine precursors have experienced a disturbing new trend – meth cooks traveling from restricted states to buy

or steal the pseudoephedrine they need to keep cooking meth. In fact, that is exactly what happened in western Minnesota after North Dakota's law took effect; cooks in Grand Forks, Fargo and other communities in Eastern North Dakota simply crossed into Minnesota to buy or steal what they needed to keep cooking.

But home-grown meth labs are only a small part of the problem; in fact, approximately 90% of meth in North Dakota comes from out of state – from "super labs" in California and Texas for example – and from outside the United States, particularly Mexico. Our drug agents and local law enforcement agencies are now working to stem the flow of meth coming into the state.

The federal government's assistance and support in our fight against meth is essential. In particular, the need to change both the funding levels and the allocation formula for the Edward Byrne Memorial Justice Assistance Grant (JAG) funds is crucial.

In fiscal year 2004, North Dakota received a total of $2,396,824 in Byrne/LLEBG funds. Under the JAG program, which was formed by consolidating the Byrne and LLEBG programs, North Dakota received $1,238,751 for fiscal year 2005.

For fiscal year 2006, North Dakota will only receive $730,000. As a result of combining these two programs into JAG, North Dakota has seen a 70% decrease in funding. This reduction will dramatically impact our ability to keep our 9 task forces across the state operational.

Not only are funds reduced, the JAG program's formula allocates half of the funds based on population, and the other half based on crime statistics. This formula penalizes low-population states like North Dakota, which have successfully kept violent crime rates low. It is imperative that both the funding level and the formula be changed to ensure that the basic needs of rural states like North Dakota are met.

As a result of the dramatic increase in meth activity in North Dakota, High Intensity Drug Trafficking Area (HIDTA) funds have been used to bolster our ability to fight meth. Historically, our state has received approximately $575,000 annually to partially support the work of investigators, forensic scientists, and a prosecutor. These funds remain at a level funding so far, however, based on past budget recommendations by the current administration, we have reason to believe that keeping funding at current levels will be a struggle as well.

Event: Senate Budget Committee Hearing
Date/Time: January 16, 2006
Testimony of Attorney General Wayne Stenehjem

Federal Assistance

The solution to the methamphetamine problem - in this state and across the country – is a continued partnership among federal, state, and local resources.

The most important steps to combat the manufacture and use of methamphetamine are:

- Enact nationwide restrictions on sales of pseudoephedrine precursors;
- Address the importation of meth and meth precursors from outside the United States.
- Fully fund JAG, including an appropriations floor for rural states such as North Dakota.

Thank you.

Senator CONRAD. Thank you very much. Let me just start by asking you the question that we get from our colleagues, who have been opposed to Federal resources or those who have advocated deep cuts. They say to us look, Senator, this is not a Federal responsibility. This is a matter for State and local law enforcement. This is a State and local problem and State and local units of government have to produce the resources to combat. The Federal Government has big deficits, growing debt.

And the other point they make is, look, we put this money out across the country and some law enforcement has used it to buy new leather jackets and they have used it to buy equipment that was seen as unnecessary. What would you say to those who make the argument this isn't a Federal obligation?

Mr. STENEHJEM. It is a Federal obligation and it's a partnership, as I mentioned. The State and local agencies have invested enormous amounts of money from law enforcement, additional personnel, to the prisons, to the treatment programs, to the foster homes where children are increasingly being found in homes where

meth is being manufactured or used. Those have strained State and local resources to the breaking point.

The Federal Government has a responsibility as well. This is a problem of national significance, both because of the importation of the drugs from outside the United States but because we're all in this problem together, and the key thing that any government is obliged to do is to take care of the safety of its citizens, and that means that all of us must work together to make sure that we make this—this State and this nation as safe as we can, and that means eliminating the scourge of all drugs and in particular this one.

Senator CONRAD. Let me ask you the second part of the question, which is the assertion by some that money has been used by the States in an inappropriate way. Can you tell us how in North Dakota Federal funds have been used?

Mr. STENEHJEM. I certainly can and I'm proud of the way that we have invested that money in North Dakota. None of it has been wasted. We used the bulk of the Justice Assistance Grant in North Dakota for a variety of things, but one of the chief things that we do is to fund the nine narcotic task forces that exist all across the State of North Dakota and that makes probably 90 to 95 percent of the drug arrests that are made.

We have a track record that I think is exemplary and typical of what—the way all North Dakotans are. Our law enforcement officers work hard. They work overtime and are dedicated to their mission and I do not see, nor have I heard any talk in North Dakota of, any of the funds that have been utilized here being wasted. I think we invested wisely and spent it appropriately.

Senator CONRAD. To your knowledge, has any of this funding been used for office parties, as has been an allegation? Has any money been used to buy new leather jackets for troopers or police officials? To your knowledge, has any of this money been used in a way that could be held up to ridicule or questioned as wasteful?

Mr. STENEHJEM. If that were the case, Senator, it certainly would have been brought to my attention and I would have taken action. Just the opposite is true. I know of a number of law enforcement officers who work overtime—who work overtime in ways that is not compensated because they believe that they need to get a handle on this problem. I couldn't be prouder of the local and State law enforcement officers that we have. I have never heard anything but good comments about the hard work that they do.

Senator CONRAD. How much money, Mr. Attorney General, do you believe should be on the Federal Government's shoulders to provide in this fight in a State like ours? If you were going to give a ballpark estimate of what are the resources necessary to effectively combat the scourge of meth in North Dakota, what share of that should come from the Federal Government?

Mr. STENEHJEM. Well, for openers what I would like to see invested in North Dakota is the 2.4 million dollars in the Justice Assistance Grant that North Dakota has historically received. That would be a good start. We also are going to need Federal assistance in treatment programs, because those are very expensive, and while they can be successful, the typical 30-day intensive outpatient treatment mode doesn't work so well for meth. You need to

have long-term residential or at least closely supervised treatment program. I don't have a figure for that.

If I walked out of here with a commitment that the U.S. Congress would appropriate the $2.3 million dollars that we have historically received under the JAG funding, together with continued involvement with the HIDTA program, I would be pretty happy.

Senator CONRAD. Let me ask you this. In terms of the High Intensity Drug Trafficking Areas, has that funding been important to North Dakota?

Mr. STENEHJEM. It has been essential to North Dakota. As I mentioned, we fund our agents and chemists at the State crime lab. Understand that when you make an arrest you also have to prove the case when you get into court and that means you need to have scientists, and I'll tell you that the forensic scientists at our crime lab are overstretched. They are working on a serious back lab log. They work overtime as well simply to produce the information that we need to get into court and so then also one prosecutor, who works in conjunction with the Federal system and also is employed directly by my office.

Senator CONRAD. And how much money are you getting under the High Intensity Drug Trafficking Areas?

Mr. STENEHJEM. I think it's about $535,000.

Senator CONRAD. And if you were told that you were going to face a cut of more than half in that program, which is what the President recommended, what would be your message to those who might think that was a good idea?

Mr. STENEHJEM. Well, the message is the message I've told you on several occasions. We need them. These are—and I'm not asking simply for the Federal Government to come in here and take care of all of the funding for our program. We have invested mightily here in North Dakota on all the levels that I had talked about. We've stretched our resources to the breaking point. We're only asking that the Federal Government also be a part of the partnership.

Senator CONRAD. Do you have an estimate of how much the State is spending to combat meth?

Mr. STENEHJEM. Well, the amount that the State of North Dakota is spending—spends on all drugs is well in the hundreds of millions of dollars when you talk about the penitentiary, the treatment program, social services. You know, you name all of those things, the price tag is enormous.

Senator CONRAD. I want to thank you. I think it's very important to get this on the record. Senator Dorgan.

Senator DORGAN. Just one question. Are there any circumstances or is there significance to our international border with respect to the movement of materials for the purpose of producing meth?

Mr. STENEHJEM. There's no question that in my mind that the poorest border both on the north and the south of the United States is a prime place where drugs can be brought across. There are—and I know, Senator Dorgan, you're well aware of this. You can go 50 to 60 miles between—between border entry, legal border entry, stations, and I have no doubt certainly here in North Dakota and I know for a fact in Idaho and Washington high-tech operations exist for bringing drugs in from outside the United States.

Senator DORGAN. But let me ask you specifically about Canada, because we share the long border with Canada. You talk about the action taken here in the State legislature in North Dakota. Have our neighbors to the north, have the providences, taken similar action and, if so, can you describe it?

Mr. STENEHJEM. Yes. After we enacted our legislation in North Dakota, I traveled to Regina and to Winnipeg. In Regina, the premier had a four-providence task force meeting to talk about this very problem. I also went to Winnipeg to talk to my counterpart from Manitoba and to tell them that what I suspect will happen if they do nothing, is what happened in Minnesota and in Montana and South Dakota, our cookers will travel there to buy the precursor ingredients or, worse, our cookers will simply move up there.

And I suggested to them that they would be wise in looking at what we did and as a result they did. They have enacted restrictions in Saskatchewan and Manitoba that I know of specifically.

Senator DORGAN. Thank you very much.

Senator CONRAD. Let me thank the attorney general. Thank you for your testimony.

Mr. STENEHJEM. My pleasure.

Senator CONRAD. Thank you also for your advice to us and others who might testify here today. We certainly appreciate the effort that you went through to be of assistance to us.

Mr. STENEHJEM. My pleasure. Thank you, Senator.

Senator CONRAD. Thank you.

I want to call the second panel: Drew Wrigley, the United States Attorney for North Dakota; Birch Burdick, the State's Attorney for Cass County; Keith Ternes, the Assistant Chief of Police in Fargo; Dean Ross, the Chief of Police for Valley City; and Rod Trottier, the Chief of Police for the Bureau of Indian Affairs stationed in Belcourt.

While they are coming to the witness table, I also want to acknowledge the presence of Senator Carolyn Nelson. Senator for Nelson is here. Thank you. The West Fargo Chief of Police, Arland Rasmussen, is here as well. I am told that Gary Wolsky, the CEO and President of Village Family Services is with us; Peggy Gaynor, the Director of Counseling and Disability Services at NDSU; Larry Anenson, the Health Educator here at NDSU; Gary Fischer, the Director of the NDSU Wellness Center. Welcome.

Barbara Lonbaken, the Associate Dean for Student Wellness; Kathy Thoreson, the Vice President of Family Services of Lutheran Social Services of North Dakota; Bill Lopez, the Executive Director of ShareHouse Substance Abuse Treatment Center; Andi Johnson, the Director of Operations at ShareHouse; Connie Stevens, the Program Director of ShareHouse; and Grant Benjamin. Is Grant here? I believe Grant was here as one point. Grant is the DARE Officer at Discovery Junior High and somebody who has been a very good advisor to us with respect to these issues.

With that, I am going to turn to our witnesses. Drew Wrigley has been the U.S. Attorney for North Dakota since 2001. He's been on the prosecuting side of this issue and has special perspectives that the committee is eager to hear. Welcome, Mr. Wrigley.

STATEMENT OF DREW WRIGLEY, U.S. ATTORNEY, DEPARTMENT OF JUSTICE

Mr. WRIGLEY. Thank you, Senator. Nice to be here. Well, thank you, Senator Conrad and Senator Dorgan. If I could I am going to start out, if I might, by reciprocating the invitation to be here today to invite you to our offices at some point either in Fargo or in Bismarck to meet with our staff, and we would like to show you around over there. I know you've been there in the past, but I would like to extend that.

We had Representative Pomeroy come by here in the last year; and so when it works out. I know you're busy when you're here, but when it works out to stop by for coffee, we would like to have you, my staff and I.

So thanks again for the opportunity to sit down with you today and discuss our perspective in the U.S. attorney's office. As you know, there was some wrangling last week about whether I could have a statement or not and apparently I can't have a statement, so I have some note cards instead. I'm going to discuss those points and then I'm going to kind of cut it short because I would like to answer whatever questions that you have, but we do appreciate the opportunity.

Our perspective is a little different sometimes as a Federal prosecutor and that makes sense when you look at sometimes the perspective of a neighborhood versus the city versus the State versus a region and then nationally, of course, it's going to be different.

Just last week there was a round-robin discussion between the U.S. attorneys—oh, I'm sorry. How is that? Is that better? OK. Just last week there was a roundtable discussion with the U.S. attorneys on the e-mail. All 94 of us were going around talking about what is the No. 1 drug problem in your district? I said districts. Some States, like Oklahoma, have three. Here in North Dakota it's one but so we refer to them as districts.

And it was different across the country, and I think your map is very telling for a couple of important reasons. One is: you look at the gray area there, heroine is still the No. 1 narcotic being trafficked in those areas, and then you see the red where methamphetamine by and large—and this follows very closely, by the way, the discussion we had with U.S. attorneys.

I think if you look to some of these, Minnesota, I think if U.S. Attorney Tom Heffelfinger were here right now he would say, hey, we're turning red and if Michigan—I'm sorry, if Wisconsin were on there, half of the State would say we're turning red and the eastern half would say cocaine and crack still, so this is a—I think a very accurate representation, but it's changing. I know there's a reference that you understand that as well.

One thing I would like to point out wherever I talk and address these issues that overall I think we need to keep focused on that we're fighting with addiction, not meth addiction but just addiction of any kind, and that marijuana and alcohol remain far and away the most addicted substances that we deal with, maybe not most addictive but the most prevalent substances we deal with. They do the most damage here in North Dakota and around the Nation and we have to remain focused on that issue because there is a different perspective in each pocket around the country.

And so in North Dakota right now we're experiencing this and there's no questioning it, but I always call on people "don't forget." I—sometimes you'll hear people say, well, at least I found out this about my kid, but I'm so thankful that he's just using marijuana, but then they go to the next step.

I see Mayor Furness here. You and I have spoke about this issue many times. We have to remain focused on the fact we don't want our young people to be addicted. We want them to stay away from dangerous substances and I appreciate that we're talking about methamphetamine here today, but I always let people know there's hope on this narcotic and others. There's a lot of hope and there are times that I talk to people and you think they think, you know, 4 weeks from now everybody—I'll use Mayor Furness as my example—everyone will be using because it's so addictive.

It's as though Mayor Furness is going to be using methamphetamine. Well, it is very dangerous. It needs to be addressed, but people need to recognize that there is hope.

Right now in the United States 5 percent of the population, 5 percent of the population, will say that they have ever tried methamphetamine. Point 3 percent of the population will say that they are—they have used methamphetamine in the last month.

That's a scary statistic when you look at all the people that represents and the danger they are to law enforcement and we all know that well, but it offers hope when we have gatherings like this.

I had a conversation, Senator Conrad—I don't like to admit this very often-—with your chief of staff a couple years ago. We were chatting about this issue and I've spoken with Senator Dorgan, yourself and members of your staff on the issue to say: what kind of things can be done? And let me complement you.

This is the kind of thing to raise the awareness to let people know that it's a serious issue and then to speak credibly on it so that we aren't trying to scare people into thinking like I said about the Mayor Furness example, but they know that there can be hope. They should gather hope from these numbers and the light that you shed on it. I appreciate very much and I've appreciated the conversations with you and with your staff over the last couple years and so those statistics are there and they are real. We need to talk about those numbers.

Other numbers that we need to talk about, I think, are the meth lab numbers. They are troubling in North Dakota and anywhere else because of the ecological damage that can be done. They are troubling and—and people that are engaged in public policy in our State that need to be aware of them, but we need to be aware of the fact that in North Dakota a couple of years ago when we were in the hundreds of labs, people in the front lines of law enforcement would say maybe 5 percent of methamphetamine is made in North Dakota.

Now they will say, almost universally they tell me, maybe 2 percent of methamphetamine being used in North Dakota is made in North Dakota. States like Missouri had a point when they were saying 40 percent of the methamphetamine is being made in Missouri, so they have much larger labs. Now, though, you've seen a major shift.

In the last years since I became U.S. attorney in November of 2001, I have not seen a single case, not one significant trafficking case that we have prosecuted, not one, where the methamphetamine was being made in North Dakota. It is a trafficking problem. People are bringing large quantities of methamphetamine into North Dakota from outside. A significant problem.

And—and Birch and the chiefs and on down the line they can tell you about the problem being on the receiving end of that. It's no less dangerous, but we need to be talking about those facts for what's going on in the State and so I commend the State folks who have been addressing the issue because it is so dangerous.

I think there was an explosion and fire in Grand Forks just in the last 5 months. It's very dangerous in apartment buildings or hotels where the people are making methamphetamine.

I just want to be sure we're clear, though, about the quantity that is being made in the State of North Dakota, so it's an important issue but maybe for a little different reason than some people might imagine.

I'm glad that Mr. Burdick is here today. We worked hand in glove on so many issues, whether it's firearms, Internet crime, child pornography. And narcotics is no different for our offices and the other State attorneys around the country.

Just so everyone is aware, if a person—in the State of North Dakota, you have 53 State's attorneys offices and you have one U.S. attorney's office. It becomes incumbent upon us to work well with our—to play well in the sandbox and it's those relationships that we enjoy very much.

If I'm painting broad brush, the difference might be dealing with retail level narcotics trafficking and use and then wholesale level. People bringing in massive quantities. We like to think of those cases as coming more within the view of the Federal Government and U.S. attorney's offices. But it wouldn't be possible if the State's attorney's offices weren't working selflessly on the issues and they say hey, Drew, we heard about this case. Contact the people in Bismarck, contact the folks in Fargo to say we're working on this case and we think this one might want to be kicked up a ways.

Most cases will begin with the initial contact of—by a prosecutor of some low-level confidential informant, the next the execution of a warrant and some person sitting there and they're scared out of their mind and they're talking to Keith Ternes. He's nasty and so they say I want to cooperate. I want to help.

And that's where most—the most important thing happens. Because if we're looking at a 95 to 98 percent problem with trafficking, we have to go up that food chain and that's only possible if the local and State authorities are focused on doing just that, as opposed to making a case themselves, sometimes saying let's get the feds involved in this, let's get it to grand jury.

And that's one thing I want to talk about. The grand jury process has been critical. It is imperative to getting people to come into the grand jury to testify under oath. Sometimes they'll say "I'm not going to testify." "There's nothing you can do" and then we say, "well, there is actually—we're going to immunize you and then you have to go talk to Judge Webb if you decide you still don't want to testify;" and that's unpleasant.

In the last years we've prosecuted, I think, something along the lines of four times the number of perjury and obstruction of justice cases of people refusing to testify in the grand jury or lying in the grand jury. Those are things that, you know, people don't get too excited about that. Sometimes they feel bad. Make the guy's, you know, aunt testify again them? Yes, we did.

We're going to do everything we can to exert pressure on people to testify about these organizations that they have knowledge of. That's been a critical component in the Federal response to these drug trafficking organizations, getting the people with some knowledge to go forward and give up the information, so that we can take the case out to California, to Washington, to Oregon and where they are producing large quantities of methamphetamine. That's the grand jury.

Another thing that happens important in the Federal cases is that we see things are designated as OCDETF. I know the Senators are certainly familiar with that. That's a federally funded program that we sort of hang our hat on.

Every significant trafficking organization that we prosecuted in the last years is a case that Jeff Behrman, his troops around the State and others, have made into what we call an OCDETF case. That's a click-in that says now it's been designated as OCDETF. It's done on a regional basis out of St. Louis but there are also State and locals involved with whether we are going to designate a case as OCDETF.

Once it is, then the OCDETF program's funded federally and that's I know a separate little discussion here but it's—we need to discuss everything. That pays the overtime. That's going to pay the other costs associated when we have agents flying out to Washington working with the authorities out there or if they are flying out to California, wherever, Nevada. You know, those costs all come from the OCDETF funding, so if those matters come before you, I don't know.

We discussed—I can't discuss budget matters that—except to say OCDETF has been critically important on some of the cases. I would be glad to answer questions, if you have, about particular cases but that then relieves the State and locals from having to pay overtime for their folks and travel, and also it puts with them the purview of Federal authorities where I think the use of grand jury and then just our—our multiregional and multijurisdictional approach of being able to work with the other U.S. attorney's offices throughout the county can all be kicked in to address what I think is really the white elephant in the room, the large trafficking organizations.

I have several examples. Like I said, I would be glad to get into them if they become relevant as we go along. I think it's troubling as you look in the last years, not only in the narcotics cases, as Federal prosecutors we have tripled as far as number of defendants. We have tripled the number of defendants prosecuted in the last 4 years federally.

Now, I know that doesn't say, well, drug traffic has tripled in North Dakota. I think we brought more of those cases into the Federal system through the cooperation of our State prosecutors and

we have brought more of them in, and so I know that that doesn't address overall but, nevertheless, that number is there.

That's tripled the significance and we've had in those years the first ever Federal mandatory life sentences for drug traffickers. It is not—it's not a day that people sit around the office giving high-fives when a 26-year-old drug dealer goes away for the rest of his life. We have convicted the person, but it's sobering, but it's necessary.

Those are cases that we think have had an impact and we want to do everything that we can to increase the price of narcotics in North Dakota, not only as monetarily but also the price of doing business as a narcotics trafficker in North Dakota. Because, after all, it should be all of our objectives to create the market forces that will impose a recession and then ultimately a depression in narcotics trafficking in North Dakota.

I'm naive enough to think that that's a real possibility, not just because we live in a—you know, somewhat more of a rural, quiet setting but because we have excellent cooperation between Federal, State, and local authorities. That's been critical, I think, in the last years.

One last thing if I might, Senator. I don't want to filibuster this thing, but I would—I would point out one other disturbing trend and that's the use of firearms and the presence of firearms in so many of our cases. The Congress has funded—just one thing I will say. The Congress has funded Project Safe Neighborhoods in the last years and that has been critically important.

I saw again this year just the other day that that number is significantly enhanced. I couldn't give you the percentages, but we appreciate that. Those dollars go to work with hand in glove to Federal, State, and local authorities to increase firearms prosecutions for the drug dealers, spousal abuse people, felons, and a host of others that nobody wants carrying firearms and we prosecuted those cases. We doubled it the first year in Project Safe Neighborhoods. Around the country, those cases are up 68 percent and they are significant sentences.

In the Federal system, our sentences are lengthy and they are certain. They serve the sentences without the possibility of parole, and we believe that that provides a stinging deterrent to this—for purposes of this hearing narcotics trafficking but then also be carrying a firearm, which I think we all see as a disturbing trend upward. Thankfully the uptick in violence has not followed that in a perfect parallel, but I just don't know how it won't in the years ahead. Those cases are important and we appreciate very much the support for the Project Safe Neighborhoods and the firearms cases.

Senator CONRAD. And thank you for your testimony. I want to make clear the wrangling that the U.S. attorney mentioned wasn't between us and his making a statement here today.

Mr. WRIGLEY. No. No, no at all.

Senator CONRAD. The wrangling involved the U.S. Justice Department that was reluctant to have a U.S. attorney testify at a budget hearing, and we understand, you know, the way that works, but we thought it was very important to have the U.S. attorney here, and I think we have benefited very much by having our U.S. attorney testify, because this really is a matter of a partnership be-

tween State authorities, Federal authorities, local authorities, and so we very much appreciate your being here. We appreciate the fact that ultimately the justice department relented and agreed that our U.S. attorney could testify.

Next we want to call on Birch Burdick, who is our State's Attorney in Cass County, who has witnessed directly meth lab abuse and how serious it is in our community. Thank you very much, Birch, for being here and please proceed with your testimony.

STATEMENT OF BIRCH P. BURDICK, CASS COUNTY STATE'S ATTORNEY

Mr. BURDICK. Thank you, Senators Conrad and Dorgan. In November of 2004, three guys lured another guy into an apartment to discuss a drug debt. That debt was worth a few hundred dollars. At the end of the evening, those three bludgeoned the fourth to death with a hammer. That—that case took place not in New York City and not in Chicago. It took place just three blocks from my home and a few blocks from the campus where we're meeting right now.

It's evidence of the nature of violence that comes with drugs and particularly with meth because those three folks indicated that they had been using meth that night. Thankfully it's not a common occurrence here but it's not unique either.

Some statistics for you. As Cass County's State's Attorney, my office handles everything from traffic tickets to murder, and I've seen the greatest growth over the last several years in our drug cases. Since 2000, our drug cases have doubled in number and in the last year, in 2005, we had over 1,100 cases. The North Dakota legislature has responded to this concern by increasing the severity level of drug crimes and implementing significant penalties and the attorney general discussed those.

For example, every meth charge is a felony. There is no misdemeanor meth charge. If you, for example, posses 50 grams of methamphetamine, which is about the size of a (indicating) golf ball, that will entitle you to exposure to a life imprisonment penalty as a maximum. Facing ever more aggressive prosecution and incarceration, defendant's efforts to contest these charges, of course, have increased and so I increased our staff from one full-time attorney working on drugs to three. They do nothing but drug cases, and I formed them into a dedicated drug team with dedicated support staff to go with them.

Yet the impact on our criminal justice system can't be measured by the drug charges alone. As you know, it may lead to things like increased robberies, burglaries, thefts, assaults, domestic violence and, as was mentioned earlier, murder, but it's not just the impact on the criminal justice system.

A particularly disturbing impact of meth use is its contribution to child abuse and neglect, and kids exposed to meth at home have related medical issues but our understanding of the long-term effects of those medical issues is uncertain at this point. Here and around the country social service agencies have seen a significant increase in their case loads as a result of meth use in homes and so their out-of-home placements for children have increased.

A recent study here in the Cass County area indicated that at least 34 percent of the social services cases had some direct tie to methamphetamine use. This drug complicates and, in fact, lengthens the possible reunification of children with their families, and if it's possible to reunite those two together, the recidivism issue that goes with methamphetamine, the relapse into use, may, in fact, neutralize the value of reunifying those and we have to pull the children out again altogether.

In addition, we may, in fact, prosecutor those parents for endangering their child, and the attorney general mentioned that there have been new laws passed with regard to that and we are implementing them here.

We have had as a result of Byrne Grant funding in the past a drug task force that's local to our area and it includes the local law enforcement agencies and our State's attorneys office, and the funding that came with that has helped support a half of one drug prosecutor. That's a half of the three that we now have there is supported by that funding.

It's not a lot of funding, but it's very welcome and needed. It buys time in the courtroom, time to prosecute these cases, and time to go after the drug assets that are accompanying those cases and pull them back from the users and abusers and put them back into our justice system.

Beyond incarceration, we've also made some progressive efforts to deal with low-level drug offenders. We have here a juvenile drug court and an adult drug court, which concentrate on treatment and rehabilitation for users who are not dealers and manufacturers.

There's been some talk about the treatment needs. We know in the addictive meth world treatment is extremely important in helping to reduce recidivism and recidivism is a particular problem with meth use. Unfortunately, the treatment that we've seen in speaking with enforcement providers is often long in duration and good results may be tough to achieve absent incarceration or inpatient treatment and so the cost of that treatment is very high. And while the public and private efforts to address that treatment are growing, they don't seem to be nearly enough.

There are some additional aspects on the system besides the jails, the prosecutors, the police, and the foster care system. It tears at the very fabric at the lives of the drug users and all those people that they come in contact with. Not only does it drain their financial assets, not only do they forfeit their liberty and endanger their health, but they lose their careers and leave their families to fend for themselves.

And while we may be unable to gauge, another potential impact of drug use that concerns me what are these drug users' children doing when they have to face the choice about drug use, given the kind of footsteps that they've had to follow?

Law enforcement has made, and continues to make, real inroads in cutting down labs, but as we know the borders of our State that show so boldly on a Rand McNally map mean nothing to the passage of drugs, and we've seen a lot of those drugs come from Texas, from California, the Pacific Northwest. We believe they are coming from Canada, again originally from Mexico as well, and so this is a blend of concerns.

It's a shared responsibility between law enforcements and the courts here in North Dakota and at the Federal level, and it's with that responsibility, that shared responsibility, that we ask Congress to consider the assistance it provides to the States.

That Byrne Grant funding has been important to us and I thank you for your focus and Senator Dorgan's focus on meth in the past and in coming here today. I urge you and the rest of Congress to consider increasing the funding levels that are available to State and local agencies for combating the meth problem and then for helping us seek and implement treatment solutions in our State. That assistance, through increased grants and programs, is needed and is a valuable investment in our communities.

[The prepared statement of Mr. Burdick follows:]

U.S. Senate
Committee on the Budget - Field Hearing
January 16, 2006 - Fargo, North Dakota

Testimony Regarding
Challenges in Addressing the Methamphetamine Crisis

Submitted by:
Birch P. Burdick
Cass County State's Attorney
Fargo, North Dakota

The Fargo/Moorhead area contains the highest concentration of people in North Dakota and western Minnesota. It rests at the crossroads of interstate highways 29 and 94. It is home to North Dakota State University, Concordia College, Minnesota State University-Moorhead, University of Mary-Fargo, and a variety of other educational institutions. It is a key employment and economic hub in the region. It is not an insular community, but rather a blend of people with differing backgrounds, cultures and birthplaces - home to a growing population and a temporary way-station for others. For many reasons this convergence of factors is a great blessing and must be nurtured. For at least one reason, namely the drug trade that seems to have accompanied that convergence, it is not a blessing.

As Cass County State's Attorney, my prosecutorial staff handles everything from traffic violations to murder. I have seen our greatest growth in drug cases. In 2005, our new drug crime and related asset forfeiture cases numbered over 1,100. Over the last 5 years the drug cases have doubled. During that same time frame, the ND Legislature increased the severity level of many drug crimes and implemented significant mandatory minimum penalties. Facing ever more aggressive prosecution and incarceration, defendants' efforts to contest their drug charges have grown. In order to address these changes, I increased our staff from one full-time drug prosecutor to three, and formed them into a drug team with dedicated support staff.

Under ND law, every meth charge is a felony. Some charges, such as possessing 50 or more grams (about 1/10th of a pound) of meth, or possessing with intent to deliver meth within 1,000' of a school, are ranked as our highest level of crime and punishable by up to life imprisonment. So, not only is a significant and growing portion of our drug charges meth-related, but because of the potential penalties those cases form a disproportionately high number of the heavily contested cases. Yet the impact of meth on the criminal justice system cannot be measured by drug charges alone. Although difficult to measure, meth use also accounts for increased robberies, burglaries, thefts, assaults and domestic violence. A year ago, a brutal murder occurred just a few blocks

from my Fargo home. It was about a drug debt worth a few hundred dollars. At the time of the murder, the defendants said they were using meth. A violent and senseless murder also occurred a year near Moorhead, again over a small drug debt.

A particularly disturbing impact of meth use is its contribution to child abuse and neglect. Children exposed to meth at home may have related medical issues. The long-term impacts of those issues are little understood. Here and around the country social service agencies are reporting increased out-of-home placements for children of meth-using parents. A recent study indicated that 34% of our local social service cases had some meth component. This same drug use complicates and lengthens family reunification efforts. Even if reunification occurs, given meth recidivism problems the reunification may not last. Furthermore, when parents expose their kids to a meth environment we may prosecute the parent for child endangerment.

With the assistance of Byrne Grant funding we formed a drug task force pooling the resources of various local law enforcement agencies and the State's Attorneys office. It is separate from, but works in conjunction with, the local DEA drug task force efforts. That funding has helped support about ½ of one drug prosecutor. In addition to aggressive investigation, arrest, prosecution and asset forfeiture, we have made progressive efforts to deal with low level drug offenders. For example, within the criminal justice system we established both adult and juvenile drug courts to concentrate on treatment and rehabilitation of drug users who are neither dealers nor manufacturers.

In the addictive meth world, the step from "user" to "seller" may often be a short one and taken early on. The physiological impact of meth is much greater than many other drugs. Treatment is extremely important in reducing recidivism. Unfortunately, it must often be of long duration. Good results may be difficult to achieve absent extended custodial or in-patient placement. The cost of that kind of treatment is high. Through a legislative effort, a new tax-payer funded 20-bed meth addiction center opened in Fargo two weeks ago. Its focus is on treating addicts before they enter the criminal justice system. It will accept patients from around the state. It is not the only treatment program for meth, nor presumably will it be the last addition. At 20 beds, it is an important contribution to the treatment needs, but is not enough.

The increasing drug caseload not only impacts police and prosecutors, but clogs the court calendars and taxes the jails, the prison and the foster care system. It does not stop with these direct impacts on the "system". Unfortunately meth use leads to disintegration of the lives of its users and those around them. Not only do these drug offenders drain their financial assets, endanger their health and forfeit their liberty, they also lose their careers, their families, their friends, and their ability to comprehend or care about anything other than their next fix. We are unable to gauge another potential impact of their drug use - namely, what choices their children may make in the future about using drugs themselves.
Law enforcement here has made, and continues to make, important strides in

combating local meth labs. However, the borders between our states, shown so boldly on a Rand McNally map, provide no barrier to drugs. The greatest proportion of meth found here is understood to come across those borders, often originating in California and the Pacific Northwest. The impact of meth usage on individuals and families not only strains local and state resources, but federal resources as well. With that, the responsibility of combating those impacts is a shared one.

I thank Sen. Conrad for his prior focus on meth issues, and for listening to our thoughts today on this important and difficult problem. I am concerned about the recent decrease in related federal grant funding at a time when the problem seems to be growing. Recognizing the breadth and depth of meth's impacts, I encourage Congress to increase its assistance to local efforts in combating meth use, manufacture and delivery across the United States, and in developing and delivering workable treatment programs. That assistance, through increased grants and other programs, is a needed and valuable investment in our communities.

Senator CONRAD. Thank you very much. Thank you for a special perspective from a State's attorney.

Next we'll go to Keith Ternes, the Assistant Chief of Police in Fargo, who has been named the interim chief beginning on January 23rd. Congratulations, Keith, on that announcement.

Mr. TERNES. Thank you.

Senator CONRAD. We look forward to hearing your testimony and what it is like to be in the front lines.

STATEMENT OF KEITH A. TERNES, INTERIM CHIEF OF POLICE, FARGO POLICE DEPARTMENT

Mr. TERNES. Well, first on behalf of law enforcement in both Fargo, West Fargo, Cass County, and really the immediate surrounding area, I want to thank both of our Senators for taking the time out of your schedule to come here to Fargo to address such an important issue.

You know, as the world contemplates and discusses the possibility of pandemic associated with the medical phenomena of the bird flu, we in America law enforcement continue to discuss the

real pandemic presently infiltrating our communities in the form of methamphetamine.

Addressing the issues surrounding methamphetamine use has quickly found its way to the top of the priority list for police administrators across the country. Because of its association with criminal activity beyond just drug crimes, law enforcement agencies recognize the need to remind vigilant in our fight against meth, but with our already limited resources it is becoming more and more difficult to stay ahead of this problem.

The Fargo Police Department presently has a total of 127 sworn officers to police a community that is rapidly approaching a population of 100,000 residents. Of these 127 officers, seven are specifically dedicated to investigate drug trafficking and other narcotics-related crimes. But as you'll see, the ever increasing number of meth-related cases calls for my consideration of dedicating even more officers and more resources to the fight against meth.

In 2002, the Fargo Police Department investigated 132 meth-related cases, including seven cases where the drug was being manufactured in a laboratory.

In 2003, 160 meth-related investigations were conducted and four labs were discovered, and in 2004, 230 cases were investigated and seven labs uncovered.

Last year, 354 meth-related investigations were conducted; however, no labs were associated with any of these cases. The good news appears to be that the laws associated with the over-the-counter sales and the securing of the precursors used to manufacture meth appear to have had an impact on the viability of setting up makeshift meth labs here in Fargo, but the near tripling of meth-related investigations over the past 4 years is staggering and a solid indication that the problems associated with meth are far from resolved.

Senator CONRAD. Can I stop you right there? I tell you as I have been listening it really struck me the attorney general showed how the discovery of meth labs is down dramatically since the law passed here and you have had new tools to deal with the precursors. That is the message that I heard from part of the attorney general's testimony, but it would not be right, would it, for people to conclude from that the problem has been reduced, because really what I hear you saying is the actual investigations for meth violations has gone up dramatically, even though the number of meth labs being discovered in our State is down dramatically.

Mr. TERNES. Yeah, there's no question about that, Senator. I think clearly with the leadership of the North Dakota legislature we have taken the steps necessary to make it more difficult to manufacture this stuff, but what that's done to some extent is it's displaced the problem where it's being made and the number of users continues to go up at a phenomenal pace.

Senator CONRAD. And where do you think the stuff is coming from?

Mr. TERNES. Well, I don't think there's any question that quite a bit of the methamphetamine that we see come into Fargo-Moorhead comes from clearly out State and probably out on the West Coast. Fargo being right at the intersection of two major interstate

highways makes for a fantastic place for traffickers to bring the methamphetamine into our community.

Senator CONRAD. So that really does make it in part a Federal responsibility, doesn't it?

Mr. TERNES. Well, I don't think there's any question, and as has already been pointed out, I think on both a State and local level we are dedicating the resources necessary to address this issue on a local level, but it transcends that. The meth problem is clearly being transported into our area.

Senator CONRAD. All right.

Mr. TERNES. I think the bad news in all of this, however, is that both violent crime and property crime is clearly on the rise in the Fargo area as a result of methamphetamine use. Last year in the Fargo-Moorhead area, in an area that on average has between one and two homicides occur here every year, we had two homicides occur in a relatively short period of time and both were as a direct result of persons either using or otherwise trafficking in methamphetamine.

Burglaries and thefts are also on the rise here in Fargo. Many have a direct connection to methamphetamine. Defendants, suspects, and informants in many of these cases acknowledge using the proceeds from the sale of stolen property to either purchase and in some cases redistribute methamphetamine.

Law enforcement agencies in and around Fargo, and really throughout North Dakota, continue to need the support, financial and otherwise, of our elected officials in order for us to continue our efforts toward addressing the problems associated with methamphetamine.

The collaborative efforts that law enforcement agencies across the region are currently engaged in continue to be an extremely effective strategy. However, it's going to take more than just simple cooperation, and the sharing of the already existing resources that we have, to make a real impact on this methamphetamine crisis.

[The prepared statement of Mr. Ternes follows:]

UNITED STATES SENATE
Committee on the Budget

Testimony for "Challenges in Addressing the Methamphetamine Crises"

Prepared by Keith A. Ternes
Interim Chief of Police
Fargo Police Department
Fargo, ND

As the world contemplates and discusses the possibility of pandemic associated with the medical phenomena of "bird-flu", we in American law enforcement continue to discuss the very real "pandemic" presently infiltrating our communities in the form of methamphetamine. Addressing the issues surrounding methamphetamine use has quickly found its way to the top of the priority list for police administrators across the country. Because of its association with criminal activity beyond just drug crimes, law enforcement agencies recognize the need to remain vigilant in our fight against meth, but with our already limited resources it is becoming more and more difficult to stay ahead of this problem.

The Fargo Police Department presently has a total of 127 sworn officers to police a community that is rapidly approaching a population of 100,000 residents. Seven of these officers are specifically dedicated to investigate drug trafficking and other narcotics related crimes. But as you will see, the ever increasing number of meth related cases calls for my consideration of dedicating even more officers and more resources to the fight against meth.

In 2002 the Fargo Police Department investigated 132 meth related cases, including seven cases where the drug was being manufactured in a lab. In 2003, 160 meth related investigations were conducted wherein four labs were discovered, and in 2004 230 cases were investigated and seven labs uncovered. Last year, 354 meth related investigations were conducted however no labs were associated with any of these cases. The good news is the laws associated with over-the-counter sales and securing of the precursors used to manufacture meth appear to have had an impact on the viability of setting up make-shift meth labs in Fargo. The near tripling of meth related investigations over the past four years is staggering, and a solid indication that the problems associated with meth are far from resolved.

The bad news in all this is that both violent crime and property crime is on the rise in the Fargo area as a result of methamphetamine use. Last year in the Fargo-Moorhead area, an area that averages between one and two homicides per year, two homicides occurred in a relatively short period of time as a direct result of persons using or otherwise trafficking in methamphetamine.

Burglaries and thefts are also on the rise in Fargo, many with a direct connection to methamphetamine. Defendants, suspects, and informants in many of these cases acknowledge using the proceeds from the sale of stolen property to purchase, and in some cases, redistribute meth.

Law enforcement agencies in and around Fargo, and throughout North Dakota continue to need the support (financial and otherwise) of our elected officials in order for us to continue our efforts towards addressing the problems associated with methamphetamine. The collaborative efforts that law enforcement agencies across the region are currently engaged in continue to be an effective strategy. However, it will take more than cooperation, and the sharing of resources, to make a real impact on the methamphetamine crisis.

Senator CONRAD. Thank you very much, Chief. We appreciate you being here very much.

Next we will hear from Dean Ross, who is the Chief of Police in Valley City. I know, Dean, that you had a scheduling conflict so especially appreciate your being here today. Dean has a special perspective because he represents a smaller town.

Mr. ROSS. That's correct.

Senator CONRAD. One that has serious resource issues in combating the threat of meth. Thanks again for being here.

STATEMENT OF DEAN A. ROSS, VALLEY CITY CHIEF OF POLICE

Mr. ROSS. Thank you. And I think no matter what the scheduling conflict is I think this subject is so important that we have to be here, and I appreciate the fact that both Senators are here and they'll share this information with anybody in Washington.

First of all, I think we'll wake up the senators and representatives on the East Coast eventually because it's spreading their way and they are going to see the devastating impacts that the drug

has had on their areas as well as it already has on ours, so they're going to see this impact shortly.

Now, I don't think the East Coast people are slower than we are. It's just that they seem to like cocaine a lot better at this point apparently, but meth is going to get there, there's no doubt about it, and it's the most—in my career, it's the worst drug that has ever hit the market. It's no question unequivocally the worst.

Senator CONRAD. And why?

Mr. ROSS. Because of the devastating and violent effects that the meth has and the severe addictive qualities that it has on the people. I think that the violence that we're seeing—I mean we—Valley City lies under the radar when it comes to violent crime, and we fly under the radar on a lot of things, but we're not under the radar anymore. We're above the radar. We're right in line. We're being red right now because in April of 2003 we suffered a triple homicide and it was meth related and another fourth attempt was made on a fourth individual.

Meth paraphernalia and meth was found at the residence, so now you're talking a town of 7,000 people who's having the devastating effects that are being transpired around the Nation apparently, but people say it shouldn't happen here. It is wrong. It is happening here, and I think 2 months later we had a brother shoot his own brother in the street. Meth paraphernalia was found there.

So 2003 was probably the worst year in the—not probably. It was definitely the worst year in Valley City's history as far as violent crime.

In between that now though, a 22-year-old young, robust male that's—thinks he's being chased by a police helicopter. Well, obviously I put in for a police helicopter in my budget, but they don't give me one. So it turns out it's a medical chopper that's coming in to do an airlift to Fargo, but he thought he was actually being chased by this police chopper. The unfortunate sad ending to this is he swallowed the meth that he had with him and it burst in his stomach.

And in a small town you see there's a lot of variety of things you do as well. My wife and I transported this young man down to the autopsy in Bismarck and that is not a situation that you ever want to deal with.

So the people on the East Coast, the Congressmen, the representatives, the senators, the representatives, they will wake up to the fact, and what we've done is we've actually—we brought people in. I mean we brought them in from California telling us that we need long-term care. That's what they are telling us. We need at least a year-long program to treat the meth addicts because short-term care doesn't work.

What also we've done we've brought in speakers. We're doing more community awareness. We brought a pastor in from Minnesota telling how his son shot himself right in front of him, broke into a—broke into their gun cabinet and shot himself and killed himself. So this is a tragedy. I mean this drug is—like I said, it's the worst one, but what are we going to do about it?

We're building a jail in Valley City. We're building a multicounty jail. I mean but is that the answer? Definitely not. Incarceration—I think our senator from Valley City has done a very good job in

starting to get the State legislature to look at the Robinson Recovery Center. It's a $500,000 project to throw into the mix where I just have information from him where we can—who can submit names for this because that 20-bed facility is going to fill up in just no time. It will be full by the end of the month from what I understand.

So that—that's one of the things, but more—more important another statistic we're flying by is one of the charts that you showed and that is the loss of our drug task force agent. Now, he's sitting out in—in the audience, Joe Gress is, and he's losing his job in 12 days. We have 12 days to utilize him because of funding cuts that were put on by the Federal Government.

Now, we—we are already sharing. I know your question, Senator Conrad, was what are the States and cities doing? Well, we're—we increased our share of the funding level to 35 percent of that drug task force officer. He only earns 22 hundred dollars a month. He's not a very high-paid officer. You know, they should be earning a lot more than that, but they are willing to go out there and do the job for 22 hundred dollars a month. We're funding 35 percent of that and the Byrne/JAG grant is funding the rest.

I haven't seen any abuse in the system. You can tell your colleagues back in Washington that I haven't seen any abuse in the system in our State anyway as far as what Attorney General Stenehjem related to. I haven't seen any leather jackets. My guys want leather jackets, but we aren't buying them for them. So, anyway, there's been no abuse that I've seen.

I have put together a program, you know, a situation where community awareness is very important. They are burning down garages in our city, they are burning down garages in other areas. This is a devastating drug that has long-lasting impacts for all of us and what's the answer.

You know, in addition to the drug task force that we're going to lose, a lot of the funding also goes to abused persons outreach centers in the State, and as you know as I've described, meth—this meth violence wasn't only that. It was also domestic abuse violence that goes with that and that's a part of the funding that that goes for, too, with that Byrne Grant that we are affiliated with in North Dakota, so now you're taking out both of this—both of these.

If you zero out that line item, that's going to be my big push for your office, both of yours, to get that at a funding level that is not based on the formula as Attorney General Stenehjem pointed out but it's based on a floor in there that North Dakota would receive their fair share and that's so critically important.

Senator CONRAD. What would you say to my colleagues who say look. This is not a Federal responsibility. This is a State and local responsibility and besides that this is just money that is being wasted. You give it to these local police department and they are spending it in inappropriate ways. How would you answer that?

Mr. ROSS. Well, I would say, you know, there's checks and balances in regard to all of that spending and there's have to be—there's an audit of the situation where you can look at that and say what are they spending that on.

And I happen to sit on a Byrne Grant committee in Bismarck and we are—we very—we scrutinize each and every grant that

comes through and we scrutinize to see what they spend the money on so——

Senator CONRAD. To your knowledge, has any of this money been spent frivolously?

Mr. ROSS. No, not at all. Not at all. Not in this State. I can't vouch for other States but certainly not North Dakota. I think it's been—that's been our crutch to keeping this drug task force going in the State.

Just think. At the end of 2006 with no money left for any drug task force across the State, there's going to be a lot of law enforcement officers looking for work and there's going to be a lot more—the enforcement aspect isn't going to be there because a lot of daily, routine patrol is very important in catching them, but continuing with the flow of the investigation is done basically mainly by the drug task force people.

Senator CONRAD. OK. Thank you. Anything you want to——

Mr. ROSS. Thank you for your time.

[The prepared statement of Mr. Ross follows:]

United States Senate
COMMITTEE ON THE BUDGET

Challenges in Addressing the Methamphetamine Crisis

Prepared by
Dean A. Ross and Associates
Valley City Police Department

January 13, 2006

Foreword by
Chief Dean Ross
Valley City Police Department

It is with great pleasure that we are able to testify before the Senate Budget Committee on such a significant topic as the challenges that we are facing in our dealings with Methamphetamine. In my opinion, Meth is the worst drug that has hit the market in my tenure as a Police Officer in the State of North Dakota. As all of you know, meth is not a new drug. It's been around for years and years and was a substance of abuse during the World wars.

Our city received a true wake up call in 2003 about the severe and tragic effects of the drug. We had not experienced a murder in our City since 1981. The year of 2003 changed the lives of our entire city. In April of 2003, one incident involved a triple murder with an attempt on a 4th individual in one incident. One month later, a 22 year old male under the effects (which include paranoia) of meth thought that he was being followed by officers in a law enforcement helicopter and swallowed a large amount of meth in a rubber tube in an attempt to hide the drug. Unfortunately, the tube burst and he overdosed. We certainly don't even have a helicopter. It turned out that on that day, a medical chopper that does emergency transports to a hospital 60 miles from us had a call for advanced emergency care. We pray that none of you have to accompany what used to be a robust 22 year old male to a laboratory for an autopsy to determine the exact cause of death. If you have ever been involved with a family grieving the loss of their son or daughter, you will understand how important it is to come up with some solutions to the epidemic use of meth. We weren't done yet, one month later (June 2003), an individual shot another individual in the street as he arrived home. They were brothers. Soon after fatally shooting his brother in the street, he took his own life with the same rifle. Ironically, the first person on the scene as a witness to the boy lying in the street was the mother of the 22 year old that had overdosed one month earlier. She relived another horror in her life as she later stated that she envisioned the boy lying in the street as her son.

All of the above events were direct results of the use of meth. We are a very small community. Some say that "it shouldn't happen here". The fact of the matter is that it is happening here and in larger communities. The devastating effect of methamphetamine abuse is everywhere. As you are well aware, the impact to our society through the increase in violent crime, domestic violence, and the ever mounting costs of methamphetamine issues are going to be astronomical.

1. QUESTION: What have we done about it?
    a. We are continuing to use strong enforcement efforts to curb the use and sale of methamphetamine. Unfortunately, our enforcement efforts are soon to be curtailed due to the elimination of the Bryne/JAG grants of which we utilize through our drug task force.

This will probably create the most devastating effect on law enforcement efforts all across the country, not only in Valley City or North Dakota.

b. We have incorporated more education into our school system than ever before. We have the utilization of an extra officer through the COPS –Universal Hire program and this enables us to provide extra sessions in the elementary, high school and university systems.
c. Community-Oriented Policing has been a very favorable approach in our city as we have made our citizen's more aware of the methamphetamine problem through public presentations and awareness of what is really going on in our community.
d. We have formed a Methamphetamine Task Force to help with public presentations and promotions, a Group called Wellness in the Valley, which helps individuals or families through tough times, a Safe Communities program has been implemented.
e. We have made the community more aware that this is not a "POLICE" problem. It is a "COMMUNITY" problem. This concept is explained to the citizens and it is made perfectly clear that without everybody pitching in to help, the methamphetamine problem will not be resolved. Citizens are encouraged to call in any suspicious activity in their area, even if they think that it may not be important. We explain that even if the suspicious event may seem unimportant to the citizen, it may be the piece of the puzzle that we need to put a case together.

2. What do we need help with on the federal level to continue our efforts?

a. We need you as members of Congress to bring the Bryne/JAG grant back to a funding level that will enable our states to keep the drug task forces in place so they can address the issues of enforcement in our communities across the country. For rural areas like ours, there must be dollars available despite the fact that we do not have the high crime statistics as is proposed in the current version of the funding request. As it stands as of this time, if things haven't changed, we believe that the grant has 0 dollars in President' proposal and a partial funding in the Senate appropriation, however even this is based on a formula that would not benefit areas like North Dakota or other states like ours.
b. These funds do not only affect enforcement issues. They directly affect programs like our Abused Persons Outreach Center and our Methamphetamine Task Force. These organizations are essential in our fight against the issues associated with methamphetamine.

c. On the federal, state and local level, incarceration costs have to be addressed. Our jails are full. Drug offenders are receiving short sentences and if they are sentenced to any length, they are being released with an abbreviated sentence due to the state prisons being overcrowded.

d. Treatment facilities have to be funded on state or federal level. Methamphetamine treatment has been proven to be a long term (at least a year) treatment program. Anything shorter than this has proven to be ineffective.

Law Enforcement appreciates the tenure of the Byrne/JAG funding that has been available throughout the last years, however our fight will suffer a severe defeat if the Byrne/JAG grant is not funded for 2007.

According to most Law Enforcement officials, Methamphetamine is the worst drug to have hit the market during their law enforcement career. It has and will continue to have a severe devastating effect in our country.

Rural areas, as well as the metropolitan areas have suffered the effects of methamphetamine use. Both entities need the help of Congress to fight these effects through strong enforcement with the help of the BYRNE/JAG funding. The formula system which leaves out the rural areas will not work.

Please do not abandon the fight against methamphetamine and other drugs with the elimination of the Byrne/JAG funding. We really do need your funding help and it is not like our Congress to abandon this very important battle against drugs.

Again, on behalf of the Valley City Police Department, We want to THANK-YOU for all that you have done for us in the past. As many experts have stated and we agree and admit that we don't have all the answers to this methamphetamine crisis, however we aren't ready to stop the fight against this deadly drug.

Community and Law Enforcement Information

Valley City, North Dakota is a rural community, with a population of approximately 7,000. The local university boosts that number by around 1,200, bringing the total number of residents to about 8,200. The Valley City Police Department serves the community of Valley City, in addition to dispatching for all of Barnes County for a combined total population of approximately 13,000 residents being served by our department.

The Valley City Police Department has 13 sworn officers; the Barnes County Sheriff's Department has six (6) deputies. Our office also holds one (1) Bureau of Criminal Investigation officer and one Task Force Agent who is funded by the Federal Bryne Grant/JAG (funding for the Drug Task Force was recently depleted, forcing one agent to be let go from the agency as of February 1, 2006). Each of these agencies has been willing to combine necessary resources in order to provide a more powerful front against the methamphetamine crisis in our region.

Being a relatively small community, our department (and those we work closely with), cannot afford to dedicate even one officer strictly to methamphetamine enforcement. We rely heavily on grant monies as the tax base is not adequate enough to provide the funding required to support many of the methamphetamine programs. The loss of this grant funding is proving to have a direct impact on all the departments in our region by reductions in staff, cuts in public awareness programs, etc.

Our region is an agricultural based community. What this means is that we have a large supply of anhydrous ammonia easily accessible, and vast areas of open farmland and vacant farmsteads. These factors combine to provide an ideal location for smaller methamphetamine labs. We are currently seeing an increase in the number of these labs being located in our region, in addition to a greater number of portable labs in vehicles, hotel rooms, residences, etc.

Methamphetamine has also contributed greatly to the number of violent crimes being committed in our area. In 2003, Valley City was the murder capital of North Dakota, with three (3) meth-related murders, and one (1) attempted murder. The last murder prior to this was in 1981. We have also seen an increase in the number of assaults, burglaries, and other crimes, many directly related to methamphetamine usage.

Methamphetamine Crisis

Methamphetamine is the predominant drug of choice among users in our region, with users ranging in age from 12 to mid-80's. Use of the drug was sporadic in the mid 90's and has shown an extreme increase over the past five years. It seems that young and old alike love the drug. Many of those using methamphetamine do not realize the long-term effects of methamphetamine, in addition to its impact on their families and community. Usage impacts the individual, their spouse or partner, children, extended family, workplace, neighbors, and any other person or organization which may have contact with them.

Over time, addicts become increasingly more paranoid with violent outbursts. Their irrational and dangerous behavior is a threat to all, with law enforcement seeing more direct contact with these individuals. Agencies have had to counter these changes in behavior by implementing new tactics of enforcement and procedural guidelines to apprehend these individuals appropriately. There is a direct relationship between methamphetamine usage and an increase in violent crimes in our region.

With so many separate areas of society being directly and indirectly influenced by the methamphetamine problem, we need to have a broad-spectrum approach to combat the methamphetamine problem.

Challenges in Addressing the Methamphetamine Crisis

Law Enforcement

As a law enforcement agency, the following areas have been determined to be of most importance with regards to the fight against methamphetamine:

- ✓ As a law enforcement agency, we would like to see a strong, aggressive approach to enforcement of the methamphetamine problem. We would like to see this funded by Bryne Grant/JAG.
- ✓ Long term treatment while incarcerated, with minimum sentencing of one year.
- ✓ Continued strong education in the schools about methamphetamine, its effects, and deterrence. We need to provide motivation not only for prevention, but for cessation of methamphetamine use also.
- ✓ Public awareness organizations for neighborhoods, community meetings, seminars and promotions with information about methamphetamine.
- ✓ Cooperation between the community, schools and law enforcement to create a unified front against the methamphetamine crisis
- ✓ North Dakota has already enacted legislation which makes it harder to purchase over the counter medications containing ephedrine. By making it harder to acquire the needed ingredients to manufacture methamphetamine, we hope to see a decrease in the number of labs in North Dakota.
- ✓ Address the super labs in Colorado, New Mexico, Mexico, etc. in order to decrease the supply of methamphetamine coming into the United States and the Midwest.
- ✓ Regional jail facility in our area that will serve not only Barnes County, but also the five surrounding counties. Plans are being drawn up to implement this plan, which would allow for a greater number of methamphetamine convicts to be incarcerated. Currently, the North Dakota State Penitentiary is seeing maximum capacity levels as a direct result of increased methamphetamine-related arrests.

Methamphetamine Definitions and Information*

Methamphetamine is a derivative of amphetamine, is a powerful stimulant that affects the central nervous system. Amphetamines were originally intended for use in nasal decongestants and bronchial inhalers and have limited medical applications, which include the treatment of narcolepsy, weight control, and attention deficit disorder. Methamphetamine can be smoked, snorted, orally ingested, and injects. It is accessible in many different forms and may be identified by color, which ranges from white to yellow to darker colors such as red and brown. Methamphetamine comes in a powder form that resembles granulated crystals and in a rock form known as "ice," which is the smokable version of methamphetamine that came into use during the 1980's.

Its popularity is due in part to the effects achieved through its usage. Users experience increased energy and alertness and decreases in appetite. An intense rush is felt, almost instantaneously, when a user smokes or injects methamphetamine. Snorting methamphetamine affects the user in approximately 5 minutes, whereas oral ingestion takes about 20 minutes for the user to feel the effects. The intense rush and high felt from methamphetamine results from the release of high levels of dopamine into the section of the brain that controls the feeling of pleasure. The effects of methamphetamine can last up to 12 hours. Side effects include convulsions, dangerously high body temperature, stroke, cardiac arrhythmia, stomach cramps, and shaking.

Chronic use of methamphetamine can result in a tolerance for the drug. Consequently, users may try to intensify the desired effects by taking higher doses of the drug, taking it more frequently, or changing their method of ingestion. Some abusers, while refraining from eating and sleeping, will binge, also knows as "run," on methamphetamine. During these binges, users will inject as much as a gram of methamphetamine ever 2-3 hours over several days until they run out of the drug or are too dazed to continue use.

Chronic methamphetamine abuse can lead to psychotic behavior including intense paranoia, visual and auditory hallucinations, and out-of-control rages that can result in violent episodes. Chronic users at times develop sores on their bodies from scratching at "crank bugs," which describes the common delusion that bugs are crawling under the skin. Long-term use of methamphetamine may result in anxiety, insomnia, and addiction.

After methamphetamine use is stopped, several withdrawal symptoms can occur, including depression, anxiety, fatigue, paranoia, aggression, and an intense craving for the drug. Psychotic symptoms can sometimes persist for months or years after use has ceased.

(*Information from Office of National Drug Control Policy website)

Methamphetamine Statistics (National and Local)

Though available for several decades, the United States only began to see in insurgence of methamphetamine usage in the early 1990's. The number of DEA methamphetamine-related arrests in 1993 was 1,893. This number showed a 400% increase over the next five years, with the number of arrests over 7,500. Methamphetamine lab seizures have increased 577% nationally since 1995. Nowhere in the nation is methamphetamine a greater problem than in the Midwest, where methamphetamine accounts for nearly 90% of all drug cases[1].

The estimated cost of making methamphetamine is $100 per ounce.[2] At an average cost on the street of $100.00/gram, it is easy to see the money that is made on the manufacturing and sale of methamphetamine. Methamphetamine is made very easily, with many recipes and information available on the internet. An investment of a few hundred dollars in over-the-counter medications and chemicals can produce thousands of dollars worth of methamphetamine. The drug can be made in a makeshift "lab" that can fit into a suitcase. The average methamphetamine "cook" teaches ten other people how to make the drug every year[3]. With recipes and ingredients readily available to anyone interested in manufacturing methamphetamine, and the high profit potential, many individuals are turning to the manufacture and distribution of methamphetamine to make easy money.

The average cost of a methamphetamine lab cleanup is about $5,000, but some cost as much as $150,000. Each pound of methamphetamine produced leaves behind five or six pounds of toxic waste. Methamphetamine cooks often pour leftover chemicals and byproduct sludge down drains in nearby plumbing, storm drains, or directly onto the ground. Many of these byproducts pose long-term hazards because they can persist in soil and groundwater for years. Clean-up costs are exorbitant because solvent contaminated soil usually must be incinerated[4].

Regional statistics support these findings. The West Region Drug Threat Assessment, which is produced by the National Drug Intelligence Center, US Department of Justice, has compiled numerous statistics on methamphetamine. For example, North Dakota has identified methamphetamine as the greatest drug threat in their jurisdiction in 2004, and also the drug that most contributes to violent and property crimes in 2004. Various other statistics support the theory that methamphetamine impacts all of society, not just law enforcement and those individuals manufacturing and/or using the drug.

The following pages were written by Joe Gress, Valley City Drug Task Force Agent. In these pages, Joe writes candidly about the issues involving methamphetamine and its devastating effects on individuals and the community. It is with great regret that Joe's position will be terminated as of February 1, 2006, due to expiration of Bryne Grant/JAG funding. His narrative gives compelling testimony as to why grant funding such as the Bryne Grant/JAG is vital to small communities such as ours.

"What comes to your mind when you hear the words Valley City? The Hi-Line Bridge, Valley City State University….what about 'God's Country'? How many of you thought about methamphetamine? As sad as it sounds, that was the first thing I thought of. You see, for a small rural community, Valley City has a heightened sensitivity to methamphetamine and the problems this drug brings to the table. You know what Valley City had in common with cities like New Orleans, Los Angeles and New York in 2003? Valley City was a homicide capital. Not of the United States, but of North Dakota. In April 2003, there was a methamphetamine related shooting that claimed three (3) of the four persons shot. In May 2003, a twenty-two year old male found out all too seriously the paranoia effect of methamphetamine. This young man with everything to live for was under the influence of methamphetamine and thought he was being followed by a police helicopter. He ingested a large amount of the drug in order to hide it and subsequently died of an overdose. In June 2003, two brothers under the influence of narcotics got into an argument that ended with one shooting and killing the other before taking his own life. For a rural city of little more than 7,000 people, these numbers are absolutely devastating. A couple months ago, $7,800 worth of methamphetamine was confiscated from a nineteen year old male. In April 2005, two men in their late forties were arrested when they were raided in the middle of 'cooking' a batch of methamphetamine. They expected to yield a profit of approximately $3500. As you can see, the methamphetamine problem in Valley City ranges from kids to adults, and has not only affected families, but the entire community.

When people come up to me and ask how I can, as a citizen, help, I always tell them to ask questions, come to presentations and get educated. Methamphetamine is here to stay. Before it gets controllable, it will only get worse. I say this because I do not see an end in sight, and with federal Bryne Grant/JAG cuts, the methamphetamine epidemic is going to get much worse. I like the word 'controllable' because this epidemic is here to stay. When we as communities and law enforcement start to win the battle, the battle won't be *won*; the battle will be to just *control* meth.

One of the things Chief Ross has taken a very hard line on is Community Oriented Policing. I have had the opportunity to participate in over thirty presentations in the fifteen months that I have been employed with the Valley City Task Force. These presentations have included elementary students and parents, junior high and high school students, faculty at Valley City State

University and Valley City High School, Kiwanis groups, and the wildlife organizations. I really got a kick out of being invited by several outdoor groups to speak before deer season. I thought, 'why do they want me, of all people, to speak at an outdoor club?' It turns out that they realize that our methamphetamine problem is so bad that they want to know what to look for while they are hunting, just to help. That floored me because in Valley City, deer season is somewhere between God and John Wayne. That's how bad they realize our community's problem is. I also feel that besides Community Oriented Policing, law enforcement's second biggest ally is the ability to network with other agencies. In a community like Valley City, we don't have access to a narcotics bureau and we surely don't have access to grabbing a few off patrol to come and help because we might only have one officer on duty at certain times. If we have to go on a call, we might be made up of members of the North Dakota Bureau of Criminal Investigation or the North Dakota Highway Patrol. Everyone is always willing to help and that is the nice part.

As the Federal Bryne Grant/JAG program is quickly coming to an end, people like myself are losing their jobs. In June 2005, the Barnes County States Attorney published a comparison study of the methamphetamine related felonies in Barnes County for 2004-2005. The study showed that in the first six months of 2005, we had already exceeded the total number of methamphetamine related felonies from 2004. When looking at these statistics, remember that Valley City is losing the one person who can give 100% of his time to narcotic enforcement, the one person who always has time at a few hours notice to go over to the college and give a presentation. Valley City is on target to double its meth related felony arrests for 2005. When a narcotic case comes along, I can expect to spend up to 34 hours of time on it. If Valley City only has two patrol officers on duty and something like this comes along, one of those officers is forced to tend to the case while the other spends the rest of their shift with no one to back them up, which raises officer safety concerns.

What do we do to stop meth? We don't expect to *stop* it, per se. But, with the right funding, we can work on controlling this epidemic. When people come to me asking how bad the problem really is, I tell them that it is a plague. The best comparison I can give them is that meth is the AIDS of the 21st century. How do you stop a drug that is so addictive that you are hooked after your first use? How do you stop a drug that makes you crave it for the rest of your life? People who use this don't care about their families or their hygiene. When these people go to jail, it is OUR tax money that pays for their dental care after all the ingredients in meth eat away their teeth. It is OUR tax money that pays for the babies born within the North Dakota Department of Corrections and Rehabilitation to mothers who could care less. What about the danger this drug puts in the way of law enforcement? Think of how crabby you can get when you are shorted a good nights sleep. Now, imagine how paranoid and irrational that individual is who has been up for 17 days straight on a meth-induced high. These are the people that law enforcement is forced to deal with increasingly more frequently. Like I said,

this epidemic is going to get worse before it gets controllable. The only way rural communities like Valley City will survive the war on methamphetamine is to receive Federal Bryne Grant/JAG funding to support the drug task force positions and more importantly, to help educate and protect the fine citizens of our communities. Please keep this in mind when you are considering your funding.

[1] Meth Statistics, www.drug-statistics.com/meth.htm
[2] Meth Statistics, www.drug-statistics.com/meth.htm
[3] Methamphetamine Frequently Asked Questions, www.kci.org/meth_info/faq_meth.htm
[4] Methamphetamine Frequently Asked Questions, www.kci.org/meth_info/faq_meth.htm

Testimony - Dean Ross Valley City Police Chief.doc

Senator CONRAD. Well, you have been really an excellent witness. Thank you very much.

Next is Rod Trottier, the Chief of Police with the Bureau of Indian Affairs stationed at Belcourt. Welcome. Thank you very much for being here.

STATEMENT OF ROD TROTTIER, BIA POLICE CHIEF, BELCOURT, NORTH DAKOTA

Mr. TROTTIER. Thank you very much. I'm very honored to be here, Senator. It's something relatively new to me that I've never done before, so I am honored and look forward to it.

Good afternoon. My name is Rodney Trottier. I'm a member of the Turtle Mountain Band of Chippewa. I work for the Bureau of Indian Affairs Office of Law Enforcement Services. I'm the Chief of Police of the Turtle Mountain Band of Chippewa Reservation located in north central North Dakota. I have served in this position since December 1999.

I have had the privilege of serving as a law enforcement officer in various jobs for approximately 30 years. During this time, I've

seen many challenges faced by the communities that I serve as a law enforcement officer. The Turtle Mountain Band of Chippewa is a small land base compared to many other Indian country jurisdictions. While there are only about 140,000 acres of trust land, there are over 11,000 tribal Indians that come under my jurisdiction. We have a relatively large population living in a relatively small area.

According to our recent Bureau of Indian Affairs report, the unemployment rate is roughly 68 percent. Unemployment and related social problems have contributed to the trafficking, manufacturing, and use of methamphetamine and other illegal drugs. Over the past 10 years, I have never witnessed a threat to our community as great as the one posed by the use of methamphetamine.

Use of methamphetamine has contributed to an increase—increased criminal activity, including aggravated assaults, domestic violence, burglaries, theft, and traffic facilities. In recent years, my officers have executed numerous search warrants, which have resulted in the recovery of stolen property that was destined to be traded for methamphetamine.

My police department has a great relationship with the Turtle Mountain Band of Chippewa on law enforcement matters. We recently through the tribe was able to obtain funding for two tribal drug investigators and the tribe then assigned these officers to work with my department.

These two additional positions have allowed us to conduct a proactive approach toward the investigation of methamphetamine and other illegal drugs. This partnership has been very beneficial and effective in the enforcement of tribal, State, and Federal laws. These two positions were also hired under the Byrnes funding.

We have also forged effective partnerships with the United States attorney's office; the Drug Enforcement Agency; the Federal Bureau of Investigation; the Bureau of Alcohol, Tobacco, Firearms and Explosives; the State of North Dakota's branch of criminal investigation; and county law enforcement officials. Due to our proximity to the Canadian border, we also work very closely with the United States border patrol and the Royal Canadian Mounted Police.

I am proud of our accomplishments during these past several years. Because of the strong effective partnerships that we have developed, many criminals have been successfully convicted in tribal, State, and Federal courts. Law enforcement efforts have resulted in many significant seizures of methamphetamine and some drug dealers from our reservation are now serving very long sentences in Federal prison.

Had it not been for the proactive partnership with our fellow law enforcement agencies, these accomplishments may not have occurred. Despite our best efforts, methamphetamine remains a significant threat to our proud community.

One of the most disturbing tends we are seeing is an increase in the number of child abuse complaints which are being reported. We have committed law enforcement staff to work with child welfare officials in situations where the reported abuse is related to illegal drugs.

According to child welfare stats for our reservation, in 2005 there were approximately 677 abuse and neglect reports filed and of this

amount 207 were related to illegal drugs. Examples of the types of reports made include parents using illegal drugs and neglecting their children, children using drugs, and highly toxic methamphetamine labs located in homes where children are present.

Perhaps the most tragic have been several recent reported cases of infants being born already addicted to methamphetamine. Due to the increasing alarm due to the harmful effects it is having on the reservation, our tribal officials have declared war on methamphetamine. The Bureau of Indian Affairs Office of Law Enforcement Services recognizes the seriousness of the methamphetamine epidemic in Indian country.

Last Friday our national deputy director, Christopher Chaney, expressed to me his concern about this threat. On a national level, the Officer of Law Enforcement Services is forging ahead with more effective partnerships with the DEA, FBI, and other Federal, tribal, State, and local law enforcement agencies in order to combat methamphetamine.

Methamphetamine does not care whether it is located on reservation or off reservation. It does not care whether the victims are Indian or not. I firmly believe that we must not allow a safe haven for drug dealers in any part of our State. Methamphetamine affects all communities in North Dakota and you must work together to fight this epidemic.

In the spirit of community policing, I am committed to making sure that our citizens are informed about our activities to protect them. I will be implementing a weekly police report on our local FM radio station where we will report weekly crime stats. We will end each short program representing issues of concern and will encourage public input.

Additionally, I will be initiating a tip line so that people can provide anonymous tips to the police. I know the public has a lot of information that will assist us in our battle against methamphetamine. This simple process will give citizens a safe and confidential avenue to report criminal activity.

I am dedicated to public service for our community and will be working hard to fight methamphetamine. The citizens of Turtle Mountain Band of Chippewa are resilient and proud. Working together we will overcome the menace cased by this dangerous drug. Again, thank you.

Senator CONRAD. Thank you very much for your testimony.

I just wanted to briefly ask each of the witnesses three questions. One is to characterize the seriousness of the threat. In terms of drugs, is this the most serious threat that you confront? How would you characterize the threat that we face with meth?

The second question I would like to ask each of you do you have the resources that you need?

And the third is have you seen waste of taxpayer dollars in pursuing those who traffic meth, those who are meth users, and other criminal activity associated with meth? So those are the three questions I would like each of you to address.

We will start with the U.S. Attorney, Mr. Wrigley. If you could tell us seriousness of the threat, do you have the resources you need, have you seen waste of taxpayer dollars.

Mr. WRIGLEY. Thank you, Senator. As to the issue of the seriousness—and I hope everyone appreciates when I put the statistics out there before it wasn't to say that they weren't serious. It's just to say it's something to get our arms around and I feel confident about, but in terms of being with people who have this addiction—I'm going in my tenth year as a prosecutor, I'm going on my fifth as U.S. Attorney—I haven't seen anything like it.

I had a case—I tried a case last summer where we had eight or nine witnesses that were—several came from the wrong door into the courtroom. I mean they were all defendants in custody, some others were not in custody but they had addiction problems of their own and dealing with people who fought in some cases to overcome addiction, others who are still in the grip of it. In terms—I've not seen anything like it either for the—especially the people addicted to narcotics. These folks, I think, are the most dangerous. Thank you.

Senator CONRAD. Resources. Have you have the resources you need?

Mr. WRIGLEY. In our office—you know, it's been interesting as you mentioned before and I know Attorney General Stenehjem mentioned too. You know, we do have a time where resources are becoming a challenge at the Federal, State, and local level. In our office in the last years—I'm not criticizing the Congress. I'm just pointing out—we've seen a diminution of those resources somewhat cut each year. I seem to recall that I mentioned Congress cut the President's request for DOJ. It was in my notes but it's possible I never have to that.

During that timeframe, our caseload has skyrocketed and so we've had to find ways. Thankfully the judges here in North Dakota and the Federal system have been amenable to us using videoconferencing so we've saved a lot of time on travel so we get more time back. We save money so we can put those resources into other—other things.

And so at a time when we've tripled, almost tripled, not quite but almost tripled, our caseload, there has been somewhat a reduction, so I won't be able to believe that we are, you know, somehow short in those regards. The department has been very supportive of our efforts here in the North Dakota U.S. Attorney's office and I know that's one subset of what you're addressing, but to address that we've—we feel we've been supported well to the challenge.

Senator CONRAD. And have you seen a waste of taxpayer dollars?

Mr. WRIGLEY. No, I—I haven't, but I—I sure would echo what Attorney General Stenehjem was pointing out and the chiefs and State's Attorney Burdick and the others are—are talking about with respect to fraud. I think any of us if we had seen these things we would have discussed it. We would have brought it to the folks that needed to have that addressed to them. No, I have not seen it.

Senator CONRAD. OK.

Mr. WRIGLEY. I never can say what does or doesn't exist everywhere, but I've certainly not—I think we do things like you do in a lot of areas just more efficiently.

Senator CONRAD. Birch, seriousness of the threat, do you have the resources you need, have you seen taxpayer dollars wasted?

Mr. BURDICK. As to the seriousness, I think the breath of the impact both that it has on the individual and on their extended family and friends and the growing, exponential growing, nature of this, the trends upwards are so high that I don't think that we have a crime that is as serious for those reasons alone, and the ability to back away from it to solve the problem because of the addictive nature of the drug makes it the most serious, I think, that we've have.

As for resources, we've been applying considerable resources toward the drug prosecution effort but in some sense costs us in other areas. The more people we apply toward drugs, then we are taking them from other resources. I think maybe the resources are most important as far as law enforcement but, you know, as we give more resources to law enforcement, they produce reports and where do they come? To Drew and to me and so we've have to do something once we get them.

As for a waste of taxpayer dollars, I've seen no dollars putting leather coats in closets. I've seen it put in investigator's feet on the street and prosecutors in the courtroom and that's it.

Senator CONRAD. OK. Keith.

Mr. TERNES. Well, first to speak to the seriousness of the issue, I think—I think we've all readily acknowledged the threat that this poses to our communities as a whole. Somebody mentioned earlier that, you know, this is a public health issue. It's a public safety issue, it's a child welfare issue.

And so the whole issue of methamphetamine is the threats in the areas of threat that it poses to our individual communities is—is overwhelming, and I don't think it holds any boundaries whatsoever.

But let me just speak just for a second just from the threat just from the line level police officer, because I don't think—at least in my 19 years of law enforcement, I don't think that there has been another issue that I've seen that has posed the threat to police officers as this one does.

The violence associated with meth, the guns associated with meth, the people that are using and trafficking in meth are desperate people, and the safety threat that they pose to the officers investigating in these cases is really beyond anything that I think we've seen as a law enforcement community in North Dakota by far.

The resources—and I can only speak to the Fargo Police Department. You know, I indicated that I have seven officers right now that are specifically dedicated to tackle the meth problem. Staffing and personnel is always going to be a challenge in an organization our size, but when we are confronted with some of the issues as we are now—as an example in the last four or 5 years, really in the wake of 9/11, the Fargo Police Department has continuously struggled to maintain staffing, if for no other reason than the fact that we have so many people that have military obligations.

And as we sit here today, I have upwards of eight officers that are fulfilling those military obligations, so basically I've lost the staff that I have assigned to my narcotics unit.

And so from a personnel standpoint, we—we have struggled. We are struggling today. We will continue to struggle to have the per-

sonnel necessary to tackle this issue, and I can only reiterate what others have said, and that is in terms of waste I have seen no evidence whatsoever that suggests that agencies who have been provided with financial support have wasted it in any way, shape, or form.

Senator CONRAD. OK. Dean.

Mr. ROSS. Well, as I said earlier, I believe that the seriousness of the threat is absolutely extreme category. It's the worst that it's ever been in my career in law enforcement. I said that before and I can't say it enough and I'll say it again, over and over and over again, because it is the worst drug that's hit the market.

And for the reasons that are—for not only the reasons of how addictive it is, but there's always violence that goes with it it seems like. Whether it be you can—a simple thing like syringes that are laying around in the home for the kids to—when we've conducted search warrants, there are syringes laying in the homes.

When I have—everyone I started a scrapbook on what our police officers took away for firearms. I never—I had never done that before. It's always gun related also. You go into a house and there's always weapons. There's always weapons in the home and for that reason alone, plus it's killing people. I mean how much more extreme can it be? I mean other drugs have done that. Meth has by far surpassed all of those in my opinion. As far as the resources, very clearly our community shares a drug task officer. Like I said, we're losing ours and we have shared this with Stutsman County and some other surrounding counties because of the regional concept that we have more people available. We have one in Valley City, but that would give us a utilization of like four. I mean we're sharing the costs and putting it into a pot and making it work.

And if I go to my city commission, we have one person under the COPS Universal Hire Program. That is the retention period of 1 year that we need to—in order to—I mean I know that when this time limit is up I'm going to have to fight to keep my one officer on that COPS Program after that retention period.

And beyond that, our—you know, you look at our city, a smaller community. We have 45 percent tax-exempt property and people are bellowing about how—our property taxes the way it is. So I think that we face a major issue in resources as far as if we can't get the Federal funds to—I mean I'm not saying that the city wouldn't go along with it. They are very cooperative in the fact that they will share the cost, but I'm not sure that they'll bear the whole cost and that's the sad part. They are putting some costs forward through—into the jail facility as I said.

And as far as waste, unequivocally no. There is—I have seen no waste. When—when on the Byrne committee, they've gone down to eliminating everything besides basically personnel and the costs that are associated with it on the grant, on the grant funding. When you go to the task force, they've taken extreme cuts on everything other than personnel. I mean they want the bodies out there. That's what they want. They don't get anything else, but they get paid for the bodies. That's what it's all about.

Senator CONRAD. OK. Rod.

Mr. TROTTIER. Thank you. I think that the serious threat is—in my opinion it's still the greatest demand. We talked earlier about,

you know—and it's fantastic, you know. We have to brainstorm, you know, with this thing constantly. I mean the bad guys are out there trying to find ways around, you know, defeating law enforcement. I think we just have to keep going. We have to try to figure out their new ways.

We cut it down to where the meth labs—and I agree with the attorney general in that. Even in our area, we've seen very few meth labs. At one point I think 4 years ago we were rated third in the State of North Dakota in that particular area for the amount of meth labs. It's real hard-pressed but the demand is still very strong, and as long as that demand is there, they're going to get it.

I—I think that—you know, they always say it's a poor man's drug, but I think the accessibility of that particular drug is a lot easier than having to go beyond our exterior boundaries of this country to get it, such as cocaine and heroine and that type of thing.

I think the super labs I think are alive and well and they are growing and I really think that what I spoke about earlier and I think everybody I think the theme here is always partnership because of the resources being so tight. That's the theme. We're going to have to work together. There can't be any boundary lines, even as far as Canada is concerned.

As far as the latter two, I guess I'm not in a position to answer those questions. I can speak on behalf of the tribe I think. On behalf of two positions that I have employed under the Byrnes funding and the tribe in and of itself actually, I think, put in a good amount matching on that particular fund this year, but even that with the cuts that had to come down we're only going to have those two gentlemen probably until September and we've had them about 10 years and they've done an excellent proactive work for us and I really hate to see them gone in September. Thank you.

Senator CONRAD. Waste?

Mr. TROTTIER. No, I don't see no waste. As with Chief Ross, I was on the Byrnes committee myself about 4 years ago, served 1 year on it, and, you know, it—I mean the money was tight. It was—you know, it was cut a little bit every year and you had to do the best with what you had. I am not aware of any waste.

Senator CONRAD. Senator Dorgan.

Senator DORGAN. Well, thank you very much. This has been a really interesting panel with different perspectives on the same issue and let me just say I think I speak for Senator Conrad, having watched his work on this as well. I think the Byrne Grant Program has been just one of the most successful programs we have had out there. It allows local enforcement folks to describe their priorities and use these funds with minimum strings attached and use them to address the significant priorities they have, so I think it is a program that works. It makes no sense to be cutting that program.

Senator CONRAD. I want to talk to you just a moment about victims because meth users can come in all shapes and sizes and ages, and I had a forum in which a young mother from a community in northern North Dakota talked about her high school son, outstanding quarterback on the high school football team, became ad-

dicted to meth and it just literally destroyed him. In and out of prison. It was just a horrible story to hear.

I want to ask you about methamphetamine in high schools in North Dakota and then methamphetamine in colleges, and the reason I'm asking the question I think, you know, while the consumption of meth is a crime, there is also a victim here with respect to young people and others who are addicted to this deadly drug.

And I assume that most of you would say there are far too few opportunities for addiction treatment in our State and across the country, but let me ask you if I might, particularly in law enforcement, perhaps Drew and Birch as well, what about high school? What about kids? At what level are we seeing meth and hearing about addiction to meth?

Mr. ROSS. Well, I think from our standpoint we're seeing it—it started out as a drug that was predominantly the 30- to 40-year-olds, right in that area, were using it. That age limit has gone way down very fast. We've now had juvenile referrals on 14-year-olds that are using it too. So what used to be the drug of—it seemed like they took from cocaine they were using now and they are changing to meth, but the age limit is going way down. We have from 14 to 15.

Our age of people that we have actually caught with the drug is from 14 to 80. So there's an 80-year-old out there and I thought they would know better but apparently they don't either. So we're hitting—we're hitting a wide spectrum, but age is progressively going down and that's the scary part. It really is.

Senator CONRAD. Chief Ternes.

Mr. TERNES. Well, again I think the good news is this, and that is we have an officer in each of the public high schools and the junior highs here in Fargo; and although we do see some drug activity in the school setting, it's minimal at this particular point. However, I agree with Chief Ross that this drug knows no bounds in terms of rich or poor, old or young. I think that's due primarily to accessibility and really it's fairly cheap to purchase.

But in terms of how it's currently affecting our—our young people, as I mentioned earlier our property crimes are on the way up and substantially so because teenagers, young adults, who, you know, aren't making or aren't involved in high-paying jobs, at least at this point, are basically—those are the people that are breaking into cars, stealing stereos, stealing whatever they can find and turning around and selling those things and then using the proceeds to go ahead and contribute to their meth habit.

So there's no question that, you know, of the three or 400 cases, meth investigations, that we're involved in a significant number of those do involve young adults in our community and, you know, if we don't find a way to provide them with an out in the form of some type of treatment, that situation is never going to get any better.

Senator CONRAD. And finally let me just ask perhaps Drew and Birch as well. If the relapse rate for meth addicts is somewhere between 70 and 80 percent following treatment, at least that is what we are told, it is such a deadly addictive drug that the relapse rate is weigh up there, 70, 80 percent. If that is the case, is there any expectation that we can effectively address this problem without

substantially more treatment opportunities available for meth addicts?

Mr. BURDICK. Senator, I think the treatment is critical. A survey that was done at the United States Counties indicated that they put—meth users fit into two profiles, one, high school and college-age students and white and blue-collar workers in the 20 to 30 age and working in the rural and emerging urban areas.

Our information doesn't seem to indicate anything different than that very thing. We have, as I indicated, focused on implementing both juvenile and adult drug courts here to help focus on that and to help realize that it's not just punishment for the—for the sort of low-level users of drugs.

You want to get them a measure of punishment but also some treatment to get them off—off the drug and hopefully stay off the drug, and the fact that it's such a problem to relapse just concentrates how much attention we need to focus on the treatment aspect of it.

So I would agree that is where we need to be spending money, both on figuring out what the appropriate treatment programs are and figuring out how to develop and deliver those within our communities.

Mr. WRIGLEY. Thank you, Senator. Again, our perspective is a little bit different here, not because it disagrees but because it's just a different perspective. When I—when I first became U.S. attorney, then Attorney General Ashcroft and the President in a few meetings with U.S. attorneys since then, closed and open door, have directed the U.S. attorneys into this administration to really focus on the trafficking cases to where we are—in our office here in North Dakota we don't prosecute anybody who isn't part of a significant trafficking organization.

And where our standard might adjust a little bit our thresholds would mainly be in Indian country where we have that predominant responsibility that a State's attorney might have elsewhere, so we see some adjustments there, but by and large these are significant traffickers.

They are members of a conspiracy, but I think you raise a really important point on this, the issue of—and it's not lost on anybody up here—of the victimization, recognizing we're dealing with victims a lot of times.

I know Attorney General Stenehjem and others who have talked about this issue in North Dakota have always coupled it in with the idea of treatment and recognizing that we have an obligation on demand reduction. That's not something maybe the prosecutors talk about every day of the week, but boy do we realize that in this one if we're going to do these market things I discussed before, that demand has to be addressed and I—if I could just briefly point out.

I had a trial last summer where in my closing comments I was addressing the fact that we had quite a cast of characters and one of the young women was just—I mean she was sort of a mess and the jury had heard all sorts of things, and I let them know at the end in my closing remarks that the events that they were now familiar with might not make that victim the mother of the year. She had been an addict and she had all sorts of other issues going on, but the defendant's criminality was clear.

In that case, Senator, the defendant, there was testimony, went to her to get her to continue to deal for him. He opened his pants. He forced that young woman to strip naked and to perform an oral contact on him, and he threatened to then beat her if she did not follow his precise instructions with what to do with the natural consequences of that act.

He then tossed a small bag of methamphetamine at her and told her, you know, you're going to continue to deal for me. All of which is noxious enough, but when you add in that she was 7 months and visibly pregnant, it was just about more than the people in the courtroom could take. That's—you know, I'm not going to say that's a common circumstance, but things like that that make all of us in law enforcement that have been watching this for years sort of sit back and think.

Well, what I said in the beginning is also true. Numbers of people, alcohol and marijuana affects more, but when you get down to the individuals who hinder that thing, that kind of a circumstance, I wish it were completely rare but it's not.

Senator CONRAD. I know we are running behind but, Rod, could you just finally point out on the reservation from the perspective of the BIA at what age are you seeing meth use?

Mr. TROTTIER. Just like the previous chiefs—chiefs have said, it's about the same age. We're seeing it younger and younger all the time. One of the biggest things that we're seeing in law enforcement is the community is being so desensitized by it. You know, I don't know if that's the proper word to use, but we're seeing more police officers assaulted, we're losing respect of these young people, teachers, parents.

Unfortunately, we have an area where we have a lot of single mothers raising children and they've—they've lost control, 13, 14-year-olds, and that's been a big issue that we're seeing and it puts such a huge, huge emphasis on all the people serving programs in our community to some respect raise them families and children.

It's getting to the point where—as a matter of fact, I'm trying to schedule a meeting with about 30 plus individuals here—people serving programs—hopefully this month, and I'm hoping to get everybody indoors so we can explain how meth is affecting each and every one of our programs just on the reservation.

At the very least if it falls through at the end of the day, at least we've had an opportunity to hear what every one of us the problems we're having and hopefully if I can keep them in there that afternoon and we can maybe funnel them down to some sort of resources that we can all pool together within our own community to try to combat this, whether it be education, you know, juveniles.

I'm on the road constantly in my car. We have no local facilities and the tribal court is sending these young people—I bet I'm on the highway three or four times a week in and out of the State and it's just very difficult. Thank you.

Senator CONRAD. Thank you. I want to thank very much this panel. I appreciate very much your taking the time to be here and present what I think is very important testimony. And I must say the things I have heard from law enforcement and from prosecutors about the toxic nature of this drug and how absolutely devastating and destructive it is to families and communities I do not think we

face a bigger threat than meth. It is just a disaster and we have to do everything we can to take it on.

I thank each and every one of you for testifying and what you do every day to be part of this fight. Thank you very much.

Mr. WRIGLEY. Thank you, Senator.

Mr. BURDICK. Thank you.

Senator CONRAD. Our third panel is made up of Karin Walton, the Program Director of the North Dakota Higher Education Consortium for Substance Abuse Prevention, and Karen Larson, the Deputy Director of the Community HealthCare Association of the Dakotas, formerly the Director of the Division of Mental Health and Substance Abuse Services in the North Dakota Department of Human Services. Thanks very much. Both Karens. Karen and maybe it is Karin.

Ms. WALTON. It's pronounced "Karen."

Senator CONRAD. You pronounce it "Karen." Thank you very much the two of you for being here. I appreciate it. You know, one of the great issues is can we treat people? Can we treat them effectively and successfully, and so I am delighted that the two of you are here.

Karen Larson, again the Deputy Director of the Community HealthCare Association of the Dakotas, formerly the Director of the Division of Mental Health and Substance Abuse Services, has worked in the field for, as I understand it, over 25 years, and she is someone that can tell us about effective meth treatment options as well as remaining challenges. Thank you.

STATEMENT OF KAREN E. LARSON, DEPUTY DIRECTOR OF THE COMMUNITY HEALTHCARE ASSOCIATION OF THE DAKOTAS

Ms. LARSON. Thank you very much, Senator Conrad and Senator Dorgan. It's my pleasure and my honor to continue to stay involved in this particular aspect of my career, even though I have moved on to a much broader based level of health care. I constantly keep in mind that primary health care involves treatment for substance abuse as well as mental health treatment and so it's a wonderful chance for me to talk with you.

You know, I—I've been a lifelong resident of North Dakota. I'm a registered nurse. My background in addiction has involved being Director of Nursing at Heartview back in the old days of it being a pretty well-known 91-bed inpatient treatment facility.

I wish that it and a lot of our other inpatient treatment facilities were still viable and present, but we do have 25 residential treatment programs in the State of North Dakota among our licensed treatment providers and I'll talk to you a little bit about that.

You know, one of the things I think that we have to recognize when it comes to treating methamphetamine addiction—and I believe this to the very depths of my being—is that when I first began working in the treatment field we basically ascribed to what I call, "When all you have is a hammer, everything looks like a nail."

Back in 1979 when I began working in treatment, we basically followed what is known as the Minnesota model for giving—for providing treatment, groups, lectures, some individual therapy, a

strong emphasis on the 12-step model of recovery and exposure of patients to the 12-step programs so that they could continue with that. Aftercare was added also.

But we also know now through terrific research that's been done by the National Institute on Drug Abuse. In the words of Alan Leshner, who is the former head of NIDA, "no matter what the drug, is a brain disease and it matters greatly that we understand that."

Now, in that context when I began in 1979, the predominant drug of choice certainly that entered Heartview was alcohol. We were seeing some marijuana. In the 1980's we saw some, a mini explosion, but nothing to the depth that we've seen with methamphetamine, of cocaine with some of the oil field expansion that took place at that time.

We have been ill prepared in this State to really face and address the real issues of an illicit drug entering the State and causing the damage that it has caused. It has taken the State of North Dakota by complete surprise, because I think we believe that we have been immune to all of those nasty street drugs and at least it isn't drugs when our kids were drinking.

We also know that there are some very, very important pieces of research that are supporting this chronic progressive fatal disease as it pertains to methamphetamine or any other addiction. We need to understand and we know through a longitudinal piece of research that the best treatment is matching the person and their symptoms and their drugs of choice—more often than not more than one drug of choice—to the right type of treatment, for the right length of time, at the right intensity.

Now, that takes us far away from the belief that everybody has to go through the same kind of treatment in order to recover, and it takes us into much more appropriate diagnosis treatment and followup. We also know that this is a chronic relapsing disease, addiction itself is, (methamphetamine, particularly) because of the complete damage that is done during usage to the production of and availability of certain brain chemicals that cause us to think straight, to behave appropriately, and to feel good.

One of the processes of addiction is that once you complete and interfere with the production of those brain chemicals your brain forgets how to produce them so you need to go to the external product, methamphetamine, to continue to find that feeling of well-being.

We also know that one of the problems that we failed in the addiction treatment community and that has had a devastating effect, particularly with methamphetamine, has been the reimbursement of treatment for shorter and shorter periods of time.

It's been interesting as we have really been able to scientifically relate the nature of the chronic relapsing nature of addiction and particularly of methamphetamine addiction, is that on conversely we have seen a reduction in the reimbursement and the reduction in funding for treatment of the appropriate length of time.

Unfortunately, I think what has happened for many people and especially those in the private sector, who rely on third party or self pay, is that we see approval for the lowest level of treatment available if the person has never had treatment before and what

we have developed is what I call a "fail first" kind of approach to treatment.

That does contribute to the amount of relapse that we're seeing because we have not placed the person in the appropriate level of care for the appropriate length of time. We have placed them in the level of care that can be paid for.

I think it's also important to know that we do have research based principles of what constitutes effective treatment. Not only does the 12-step model continue to work, but we also know that there are certain individuals for whom a much more cognitive approach is appropriate and we also know that it is important to understand the acute withdrawal and the post-acute withdrawal syndrome that happens, especially as you're detoxifying from the effects of methamphetamine, before you move into a fully formed addiction treatment program that is requiring you to think, learn, and retain information.

The National Institute of Drug Abuse does have on its Web site and there is attached to my testimony a listing of those principles of effective treatment. I would submit to you there are some that are particularly important to pay attention to when it comes to methamphetamine.

Treatment for methamphetamine addiction has to be readily and easily accessible, and I'm sure that most law enforcement people will tell that that sometimes is a real struggle. Treatment must be available in licensed treatment facilities that do have the ability to address the unique needs of clients with methamphetamine addiction.

Treatment needs to be available in corrections facilities, either directly offered by those facilities or through a contract with a local treatment provider, so that the symptoms and needs of that individual can be addressed as soon as possible. Indeed, drug courts and corrections-based treatment have demonstrated that "coerced treatment" is effective, which again is really flying in the face of some long-held beliefs of 25 years ago.

Treatment must address both the acute withdrawal phase, and the post-acute withdrawal phase which generally will last for up to 2 weeks. Acute withdrawal with methamphetamine is more emotional and behavioral than it is physiologically challenging, unlike that withdrawal from alcohol. The post-acute withdrawal and initiating abstinence phase, generally can last anywhere from 6 months up to a year. You heard talked about earlier today that year-long treatment might well be the need if that person's symptoms do require that kind of attention.

Now, I'm not telling you that somebody has to be in an inpatient facility for a year. What we do know is that it is important to help people be able to move back toward more normal lifestyle through step-down, step-up kinds of treatment so that they can attempt to try living straight in less restrictive environments.

Treatment approaches must be research based. We have gone past the conventional wisdom and the experimental nature of treatment as it evolved, and much to North Dakota's credit I think we have a huge and long history of very, very excellent treatment and treatment provider credentialling that we cannot dismiss, but we

need to continue to develop that in light of this methamphetamine issue.

The Matrix Model is one that has been funded by NIDA has been deemed to be quite effective it certainly utilizes a number of the principles of treatment that most of the treatment providers in North Dakota utilize.

Senator CONRAD. Can you tell us what the Matrix Model is?

Ms. LARSON. The Matrix Model is a model of treatment that was basically developed for those who were stimulant abusers and, of course, methamphetamine is in the stimulant category. It began, however, with cocaine and crack and has been applied with great success to the methamphetamine-addicted people.

Actually, it is an outpatient model, but it is also very, very adaptable to a residential model, and residential treatment is more of a social model of treatment, less heavily reliant on medical input and medical personnel. It includes a lot of case management, oversight, supervision, and understanding the phases of recovery and so actually the case manager will work very closely with the client to make sure that they are getting up, getting to their meetings, getting to their lectures, to their group therapy sessions, also learning in a habilitation way new skills that they probably never had in the course of their addiction. How do you balance a checkbook, how do you responsibly apply and interview for a job, all of the necessary living skills that people are not very prepared to do when they leave treatment.

They also rely very heavily on using not only the Minnesota model—the 12 steps do figure into this—but they also use a cognitive approach that help people learn how to think and do critical thinking. "If I do this, this will happen"; and this is an extremely important element of methamphetamine treatment and recovery so that the addicted person has the ability over time to learn to kind of do some self-talk and to understand that the cause and effect, the behavior versus the consequence, that relates to their lives as well as to their addiction and their illness.

It also does concentrate very heavily on understanding the nature of craving that takes place. I would say in no other drug do we see so such physiologically-based craving for taking that drug being so overwhelming that it almost supersedes all of the executive functions of the brain that makes sense to you or I. People will just do things that don't make any sense to us because their craving is so profound. Part of that is related again to the fact that their brain chemicals are not being produced and the craving kicks in.

I've talked a little bit about the habilitation and also about the step-up and step-down aspect of treatment. That has to be a component of methamphetamine treatment so that people can begin to learn how to live sober outside of the confines of a residential program.

We are very, very fortunate at this time that the North Dakota legislature did provide some funding to begin a residential methamphetamine addiction treatment program. That contract was provided to ShareHouse here in Fargo. ShareHouse has a long, long history of providing excellent residential care to people with really profound addictions to a lot of different substances. It's named the

Larry Robinson Recovery Program and that is a credit to Senator Robinson's championing of funding for this program.

I think that one of the things that will be the most important—and I know Bill and Andi are here. I was just telling them how excited I am because they are going to be providing us with some outcome and some basic clinical research that tells us in using the Matrix Model in combination with the residential treatment program what kind of outcomes they are seeing, what kind of needs they are seeing in addition even to what—what their contract will allow them to do, so we'll have some actual field research that will really help us immeasurably.

Now, that's one specialized methamphetamine addiction treatment program. All of our licensed addiction treatment providers, of which we have well over 70 in the State of North Dakota, some of them offering very limited and low-level care, do know and understand how to treat methamphetamine addiction. The real issue is adequate reimbursement to pay for the kind of treatment that people need.

We are fortunate in the State of North Dakota that private insurance, especially those group insurances, do provide for some reimbursement for addiction treatment. The State's public funding basically relies on the Substance Abuse Prevention and Treatment Block Grant that comes from Health and Human Services and also from some State funding.

One of the problems that I did note during the time that I was the Director of the Division of Mental Health and Substance Abuse is that that Substance Abuse Prevention and Treatment Block Grant funding was somewhat static. We were grateful for it, but that quite a lot of additional funding was put into demonstration grants that lasted three to 5 years. In many instances every time the grant went away, the program went away because there was no way of sustaining the funding.

And while I'm a true advocate for research-based effective treatment, I also see that there is a necessity for us to be sure that we have adequate funding both on the public side of things as well as on the private site of things. Addiction and methamphetamine addiction is no different, are significant public health problems, and we need to have adequate resources so that we can provide the treatment.

The chronic relapsing nature of this illness, whether it's methamphetamine or other substances, means that we have to restyle how we approach the length of our involvement with people and be able to intervene quickly whenever a relapse takes place.

I always use the example that if I were taken to the hospital today diagnosed as a diabetic, taught all the things that I was going to need to manage that illness, would you expect I never had to darken the doorway of the health care system again? Absolutely not. I make the same case when it comes to addiction and in particularly to methamphetamine addiction.

[The prepared statement of Ms. Larson follows:]

Testimony
Senate Budget Committee
North Dakota State University
January 16, 2006

Mr. Chairman and members of the Committee:

Thank you for the opportunity to appear before you today to speak about treatment issues as they pertain to the challenges of methamphetamine in our state and throughout the country.

For the record, my name is Karen E. Larson. I am a Registered Nurse and a lifelong resident of North Dakota. I am currently the Deputy Director of the Community HealthCare Association of the Dakotas, the bi-state Primary Care Association for North and South Dakota. Prior to assuming this position in June of 2004, I served as the Director of the Division of Mental Health and Substance Abuse Services in the ND Department of Human Services. I have spent 25 years working in various aspects of prevention, treatment, and public policy as it relates to alcohol and drug abuse.

I appear before you today to address some of the critical needs for adequate treatment, not only for those persons suffering from addiction to methamphetamine, but for treatment for all the drugs of abuse. While methamphetamine does pose some distinct challenges to the treatment field, there are some basic overriding principles which apply to all drugs of abuse and dependence.

To provide a sense of our approach to treatment from a historical context, I have included the Executive Summary **(Exhibit 1)** of a presentation I made at the Governor Sinner Public Policy Symposium in December, 2004. It is imperative that we understand the environment in which our reactions to and resources for both prevention and treatment have been shaped to date.

I have often used the phrase, "When all you have is a hammer, everything looks like a nail" to describe some of the very real challenges the treatment field faces today. Treatment, over the years, was primarily focused on the 12-step model, and concentrated on patient education, individual, and group therapy, coupled with introduction to 12-step recovery groups and aftercare. In addition, it was believed for a very long time that the only effective model of treatment was a medical model inpatient approach. While this can be effective for many, we know now that the best outcomes for recovery involve a much more scientific understanding of addiction as a chronic brain disease, marked by significant changes in brain function and chemistry; and, as with most chronic diseases, having remissions and exacerbations of symptoms over the "life of the illness". With this increased awareness, however, we have seen reimbursement for treatment moving in the direction of shorter lengths of stay and a "fail first" approach that, no matter how severe the symptoms. Project Match, a long term study of treatment outcomes has found essentially that the mode of treatment is not as critical as a careful assessment of the person's needs, and engaging that person in treatment for a sufficient length of time.

To provide an overview of scientifically sound approaches to addiction treatment, whether for persons addicted to methamphetamine or for persons who have alcoholism or other drug dependencies, I have included a list of the 13 Principles of Effective Treatment **(Exhibit 2)** developed by the National Institute on Drug Abuse. This information should provide the basis for treatment design and delivery in all levels of treatment.

In light of this information, what should we consider in providing treatment for those persons whose primary drug of dependence is methamphetamine?

1. Treatment needs to be readily and easily accessible in licensed treatment facilities having the ability to address some of the unique needs of the clients with methamphetamine addiction.
2. Treatment needs to be available in corrections facilities directly or in partnership with other local treatment providers to address the symptoms and needs of the individual as soon as possible. Indeed, as drug courts and corrections-based treatment have demonstrated, coerced treatment has been found to be effective for many persons who are addicted.
3. Treatment must address Acute Withdrawal (generally lasting up to two weeks); Post-Acute Withdrawal/Initiating Abstinence (generally lasting up to 6 months); and, finally, support in sustaining recovery and quickly responding to relapse.
4. Treatment should be research based; and should utilize the protocols of proven effective programs such as the Matrix Model (**Exhibit 3**), as the most effective evidence-based approach to treating methamphetamine addiction known to date.
5. Treatment should provide the opportunity of a continuum of outpatient to inpatient, and include residential care as appropriate, and the ability to move up and down that continuum as symptoms are reduced and recovery progress is demonstrated. That entire continuum should be available for as long as the client requires some level of care for symptoms.
6. Treatment must focus on "habilitation" as much as on "rehabilitation" to assist clients to develop basic life skills likely never attained as a result of addiction. This is key to the ability of persons who are addicted to methamphetamine in developing long-term recovery strategies.

I have included a current listing of North Dakota licensed treatment programs (**Exhibit 4**). North Dakota has a proud history of very high standards for Licensed Addiction Counselors and for licensure of treatment programs. It is important to understand that most North Dakota treatment providers treat persons addicted to all substances, and that most persons are addicted to more than one. It is also notable that the 2005 North Dakota Legislature did provide funding for a 20-bed residential methamphetamine treatment program, the contract for which was awarded to Share House in Fargo, and, according to the Bismarck Tribune, January 10, 2006 has begun taking patients. The facility is called the Robinson Recovery Center after state Senator Larry Robinson of Valley City who championed funding for this program. According to the Request for Proposal released by the ND Department of Human Services for this program, the design is to be evidence-based, and will provide outcome data for further analysis and development of best practices in treating methamphetamine addiction.

This does not mean that general addiction treatment programs cannot or do not provide treatment for those addicted to methamphetamine. The ND Licensure standards are very specific in requiring appropriate levels of care for symptoms and severity of all addictions. I would offer an observation that, because of the high standards in the addiction field, all addiction treatment providers in North Dakota are very aware of the unique symptomology and needs of methamphetamine-addicted individuals.

Addiction costs individuals, families, communities, indeed, the entire country an enormous amount of money. Certainly, we have had to provide funding to reduce both the supply (interdiction and law enforcement) and the demand (prevention and treatment). Yet, funding for addiction treatment can be extremely challenging to obtain. Private health insurance does provide varying coverage for this chronic, relapsing disease, but there is an increasing need for the treatment field, researchers, and the health insurance industry to review and come to consensus on reimbursement mechanisms for effective treatment and chronic disease management approaches. Public funding in North Dakota is generally limited to the Substance Abuse Prevention and Treatment Block Grant and other demonstration grants from the US Department of Health and Human Services, as well as some state general funding. It is critical to address overall funding needs to provide adequate and appropriate treatment to those who need it.

I am now working in the primary health care arena. I know, without a doubt, that many primary care providers, as well as county social service agencies, law enforcement agencies, and employers find themselves dealing with individuals with methamphetamine and other drug addictions. All entities should be equipped to 1) recognize the symptoms and the nature of the chronic disease; 2) know where to refer with assurance that help will be available; and 3) work as a complete community coalition to support prevention, treatment, and recovery for every North Dakotan who is experiencing this chronic, progressive, and sometimes fatal disease.

Thank you very much for this opportunity. I will be please to engage in any further discussion or answer any questions you might have.

Exhibit 1

A COMPLICATED JOURNEY:
A BRIEF HISTORY OF DRUG AND ALCOHOL POLICY IN AMERICA

Karen E. Larson, Deputy Director
Community HealthCare Association of the Dakotas

The Governor Sinner Public Policy Symposium
December 9, 2004

EXECUTIVE SUMMARY

Drugs and alcohol have been around for thousands of years. They have been intertwined among various cultures and time periods throughout recorded history. They have been labeled or promoted as everything from the work of the devil to miracle cure for disease. Some drugs have contributed to healing; others have destroyed lives, and, indeed, entire cultures. Countries have alternately swung from allowing social norms and standards to create the context of drug use and alcohol abuse to strict public policy approaches to control use and/or abuse. In the United States we have seen eras of relative tolerance to heroin and cocaine use, prohibition of alcohol, attempts to balance the supply and demand components of drug and alcohol policy, and new challenges for new drug epidemics (or repeats of old drug epidemics).

The problems of addiction in our country were recognized gradually. The first legal measures against drug abuse were established in 1875, when opium dens were outlawed in San Francisco. The first national drug law was the Pure Food and Drug Act of 1906, which required accurate labeling of patent medicines containing opium and certain other drugs. In 1914 the Harrison Narcotic Act forbade sale of substantial doses of opiates or cocaine except by licensed doctors and pharmacies. Heroin was later banned totally. Subsequent Supreme Court decisions made it illegal for doctors to prescribe any narcotic to addicts. Prohibition of alcohol was enacted as a constitutional amendment in 1919 and repealed in 1933, deemed an abject failure in public policy. In the 1930's, most states required anti-drug education in schools, but fears that knowledge would lead to experimentation caused it to be largely abandoned. Soon after the repeal of Prohibition, the U.S. Federal Bureau of Narcotics (now the Drug Enforcement Administration) began efforts to portray marijuana as a powerful, addicting substance that would lead users into narcotic addiction. In the 1960's, social upheaval contributed to a dramatic increase in drug use with some increased social acceptance. By the early 1970's some states and localities had decriminalized marijuana and lowered drinking ages. In the 1980's there was a decline in the use of most drugs, while cocaine and crack use soared. The military became involved in border patrols for the first time.

The 2002 National Survey on Drug Use and Health identifies use, abuse, dependence, and treatment access information for all states. This national data set has been available on a state by state basis only since 1999. This statistically validated information should play a significant role in planning public policy. While the study identifies the data in percentages, and breaks down the information into three age clusters, I think the estimated numbers tell an even more startling story.

Estimated Numbers (ages 12 and older)	North Dakota	South Dakota	Minnesota
1. Est. # of past month users of marijuana	29,000	35,000	263,000
2. Est. # of past month users of any illicit drug other than marijuana	17,000	21,000	144,000
3. Est. # of past month binge alcohol users(1)	158,000	163,000	1,199,000
4. Est. # of persons reporting past year alcohol dependence or abuse(2)	52,000	61,000	367,000
5. Est. # of persons reporting past year any illicit drug dependence or abuse(2)	14,000	19,000	108,000
6. Est. # of persons needing but not receiving treatment for illicit drug use in the past year	13,000	16,000	97,000
7. Est. # of persons needing but not receiving treatment for alcohol use in the past year	50,000	59,000	348,000

Source: SAMHSA, Office of Applied Studies, National Survey on Drug Use and Health, 2002 (http://oas.samhsa.gov)

(1) Binge Alcohol Use is defined as drinking five or more drinks on the same occasion (i.e. at the same time or within a couple of hours) at least one day in the past 30 days.

(2) Dependence or abuse is based on definitions found in the 4th edition of the *Diagnostic and Statistical Manual of Mental Disorders (DSM-IV)*

As methamphetamine use, abuse, and trafficking have become overwhelming to our states, as well as to many others, we should consider the following information:

- Between 1992 and 2002, the primary methamphetamine/amphetamine treatment admission rate in the US increased from 10 to 52 admissions per 100,000 population 12 years or older. This accounted for almost 7 percent of all treatment admissions in 2002.
- In 1992, 12 percent of primary methamphetamine/amphetamine admissions reported smoking as the primary route of administration of methamphetamine, but by 2002, 50 percent did.
- In 2002, 19 States had rates in excess of the national rate noted above, and 12 had primary methamphetamine/amphetamine admission rates of more than twice the national rate—104 or more admissions per 100,000 population. (*ND had a 1992 admission rate of*

2.3 per 100,000; and a 2002 admission rate of 65.4 per 100,000. SD had a 1992 admission rate of 4.0 per 100,000; and a 2002 admission rate of 68.9 per 100,000. Minnesota had a 1992 admission rate of 4.6 per 100,000; and a 2002 admission rate of 77.6 per 100,000.
Source: "Primary Methamphetamine/Amphetamine Treatment Admissions: 1992-2002. *The DASIS Report*. September 17, 2004

The most significant issue, ***regardless of the drug,*** is that public policy at all levels of society and government has generally been reactionary rather than visionary. We have often tended to use conventional wisdom rather than to gather all of the data and research available to make reasoned decisions. General principles of supply (interdiction) and demand reduction apply to all drugs of abuse. Public policy must be comprehensive, coherent, and congruent, regardless of the drug. The issues, as you can see from this thumbnail sketch of our history, are complex and multifaceted. We have tried for too long to address these issues in simplistic, linear fashion, as though only a good school-based curriculum is required to reduce use; or that only sufficient treatment availability will do away with addiction; or that law enforcement and incarceration in and of themselves will solve the problem. The fact is that lessons in history will tell us that none of these efforts by themselves will yield satisfactory results, and that none of these efforts attempted in isolation from each other will yield satisfactory results. Lessons in history should remind us that it is not wrong, but rather to be desired that thoughtful people have the courage to reexamine and debate these issues with new knowledge, insight, and respect. Lessons in history require that we dare to openly struggle with ideas that are not always comfortable to us.

Social policy, as the precursor of public policy can be a powerful force, as communities and individuals use their own norms and standards against which to measure how we react to alcohol and drug use and abuse. We know that social policy and public policy linked together by sound practice is what is called for today, rather than our traditional over-reliance on conventional wisdom and myth. We know that social and public policy efforts must address the whole fabric of our society: the community, business, health care, law enforcement, the family, the individual, and faith communities. We are faced with strongly competing views about legalization, decriminalization, medical marijuana, mandatory sentencing, treatment as an alternative to incarceration, and many other issues. We know that stereotyped "group think" will not and cannot be the order of the day. We know that we need to engage everyone in thoughtful debate and honest appraisal about what has been, what is now, and what should and can be. We know much more than could have ever been conceived of in 1860. We know much more that could have ever been conceived of in 1930; in 1950; and even in 1980. Our actions for the future must be informed by history; debated with sound knowledge, and formed by thoughtful and reasoned policy.

Exhibit 2

Principles of Effective Treatment

1. **No single treatment is appropriate for all individuals.** Matching treatment settings, interventions, and services to each individual's particular problems and needs is critical to his or her ultimate success in returning to productive functioning in the family, workplace, and society.
2. **Treatment needs to be readily available.** Because individuals who are addicted to drugs may be uncertain about entering treatment, taking advantage of opportunities when they are ready for treatment is crucial. Potential treatment applicants can be lost if treatment is not immediately available or is not readily accessible.
3. **Effective treatment attends to multiple needs of the individual, not just his or her drug use.** To be effective, treatment must address the individual's drug use and any associated medical, psychological, social, vocational, and legal problems.
4. **An individual's treatment and services plan must be assessed continually and modified as necessary to ensure that the plan meets the person's changing needs.** A patient may require varying combinations of services and treatment components during the course of treatment and recovery. In addition to counseling or psychotherapy, a patient at times may require medication, other medical services, family therapy, parenting instruction, vocational rehabilitation, and social and legal services. It is critical that the treatment approach be appropriate to the individual's age, gender, ethnicity, and culture.
5. **Remaining in treatment for an adequate period of time is critical for treatment effectiveness.** The appropriate duration for an individual depends on his or her problems and needs (see pages 11-49). Research indicates that for most patients, the threshold of significant improvement is reached at about 3 months in treatment. After this threshold is reached, additional treatment can produce further progress toward recovery. Because people often leave treatment prematurely, programs should include strategies to engage and keep patients in treatment.
6. **Counseling (individual and/or group) and other behavioral therapies are critical components of effective treatment for addiction.** In therapy, patients address issues of motivation, build skills to resist drug use, replace drug-using activities with constructive and rewarding nondrug-using activities, and improve problem-solving abilities. Behavioral therapy also facilitates interpersonal relationships and the individual's ability to function in the family and community. (*Approaches to Drug Addiction Treatment section discusses details of different treatment components to accomplish these goals*.)
7. **Medications are an important element of treatment for many patients, especially when combined with counseling and other behavioral therapies.** Methadone and levo-alpha-acetylmethadol (LAAM) are very effective in helping individuals addicted to heroin or other opiates stabilize their lives and reduce their illicit drug use. Naltrexone is also an effective medication for some opiate addicts and some patients with co-occurring alcohol dependence. For persons addicted to nicotine, a nicotine replacement product (such as patches or gum) or an oral medication (such as bupropion) can be an effective component of treatment. For patients with mental disorders, both behavioral treatments and medications can be critically important.
8. **Addicted or drug-abusing individuals with coexisting mental disorders should have both disorders treated in an integrated way.** Because addictive disorders and mental disorders often occur in the same

individual, patients presenting for either condition should be assessed and treated for the co-occurrence of the other type of disorder.

9. **Medical detoxification is only the first stage of addiction treatment and by itself does little to change long-term drug use.** Medical detoxification safely manages the acute physical symptoms of withdrawal associated with stopping drug use. While detoxification alone is rarely sufficient to help addicts achieve long-term abstinence, for some individuals it is a strongly indicated precursor to effective drug addiction treatment (*see Drug Addiction Treatment Section*).
10. **Treatment does not need to be voluntary to be effective.** Strong motivation can facilitate the treatment process. Sanctions or enticements in the family, employment setting, or criminal justice system can increase significantly both treatment entry and retention rates and the success of drug treatment interventions.
11. **Possible drug use during treatment must be monitored continuously.** Lapses to drug use can occur during treatment. The objective monitoring of a patient's drug and alcohol use during treatment, such as through urinalysis or other tests, can help the patient withstand urges to use drugs. Such monitoring also can provide early evidence of drug use so that the individual's treatment plan can be adjusted. Feedback to patients who test positive for illicit drug use is an important element of monitoring.
12. **Treatment programs should provide assessment for HIV/AIDS, hepatitis B and C, tuberculosis and other infectious diseases, and counseling to help patients modify or change behaviors that place themselves or others at risk of infection.** Counseling can help patients avoid high-risk behavior. Counseling also can help people who are already infected manage their illness.
13. **Recovery from drug addiction can be a long-term process and frequently requires multiple episodes of treatment.** As with other chronic illnesses, relapses to drug use can occur during or after successful treatment episodes. Addicted individuals may require prolonged treatment and multiple episodes of treatment to achieve long-term abstinence and fully restored functioning. Participation in self-help support programs during and following treatment often is helpful in maintaining abstinence.

Exhibit 3
National Institute on Drug Abuse

Behavioral Therapies Development Program - Effective Drug Abuse Treatment Approaches

The Matrix Model

The Matrix Model (Rawson et al., 1995) of outpatient treatment was developed during the 1980s in response to an overwhelming demand for stimulant abuse treatment services. The intent was to create an outpatient model responsive to the needs of stimulant-abusing patients while constructing a replicable protocol that could be evaluated. Treatment materials draw heavily upon published literature pertaining to the areas of relapse prevention (Marlatt and Gordon,1985), family and group therapies, drug education, self help participation and drug abuse monitoring. The clinical materials have been selected as a result of a behavioral analysis of the type of problems encountered by cocaine and methamphetamine users as they proceed through a period of cocaine abstinence.

Over 5000 cocaine addicts and over 1000 methamphetamine users have been treated with the method. The experience of these patients has been the source of the data used in developing and modifying this integrated therapeutic model. The treatment model has been extended to address the clinical needs of alcohol users and opiate dependent individuals.

The goal of the Matrix Model has been to provide a framework within which stimulant abusers can achieve the following: (a) cease drug use, (b) retain in treatment, (c) learn about issues critical to addiction and relapse, (d) receive direction and support from a trained therapist, (e) receive education for family members affected by the addiction, (f)become familiar with the self-help programs, and (g) receive monitoring by urine testing.

The Matrix model requires that the therapists use a combination of skills required to function simultaneously as teacher and coach. The therapist fosters a positive, encouraging relationship with the patient and uses that relationship to reinforce positive behavior change. The interaction between the therapist and the patient is realistic and direct but not confrontational or parental. Therapists are trained to view the treatment process as an exercise that will promote self-esteem, dignity, and self-worth. A positive relationship between patient and therapist is a critical element for patient retention.

The treatment materials contained in detailed treatment manuals include work sheets for individual sessions, family educational groups, early recovery skills groups, relapse

prevention groups, conjoint sessions, urine tests, 12 step programs, relapse analysis, and social support groups. A pilot study comparing the Matrix outpatient model with an inpatient hospital treatment program produced preliminary support for the clinical utility of the model for the treatment of cocaine dependence (Rawson et.al, 1986). A number of NIDA-funded projects have demonstrated that participants treated with the Matrix model demonstrate statistically significant reductions in drug and alcohol use, improvements in psychological indicators and reduced risky sexual behaviors associated with HIV transmission (Rawson et al,1995, Shoptaw et al, 1994, Shoptaw et al 1997). These reports, along with evidence suggesting comparable treatment response between methamphetamine users and cocaine users, (Huber, et al, 1997) and demonstrated efficacy in enhancing naltrexone treatment of opiate addiction (Rawson et al, under review) provides a body of empirical support for the use of the model.

The fact that the Matrix model materials have been manualized into systematic treatment protocols with instructions for use, has tremendously facilitated the dissemination of this approach. Currently, projects are being conducted in 12 states and 4 countries employing this approach in treatment settings for stimulant, opiate and alcohol users.

Rawson, R.A., Obert, J.L. McCann, M.J. and Mann. A.J (1986) Cocaine treatment outcome: Cocaine use following inpatient, outpatient and no treatment. CPDD NIDA Res. Monograph, 67, 271-277.

Rawson, R., Shoptaw, S., Obert, J.L., McCann, M, Hasson, A.,Marinelli-Casey, P., Brethen , P. & Ling, W. (1995). An intensive outpatient approach for cocaine abuse: the Matrix model. Journal of Substance Abuse Treatment, 12 (2), 117-127.

Shoptaw, S. Rawson, R.A., McCann, M.J. and Obert, J.L. (1994). The Matrix model of stimulant abuse treatment: Evidence of efficacy. Journal of Addictive Diseases, 13, 129-141.

Shoptaw, S., Frosch, D., Rawson, R., & Ling, W. (1997). Cocaine abuse counseling as HIV prevention. Journal of AIDS Education & Prevention, 9, 511-520.

Huber, A., Ling, W., Shoptaw, S., Gulati, V. Brethen, P. and Rawson, R. (1997) Integrating treatments for methamphetamine abuse: A psychosocial perspective. Journal of Addictive Diseases, 16, 41-50.

Rawson, R., McCann, M.J., Shoptaw, S., Miotto, K. Frosch, D., Obert, J.L. and Ling, W. (under review) Naltrexone fore opiate addiction: Evaluation of a manualized psychosocial protocol to enhance treatment response.

For additional information about NIDA send e-mail to Information@lists.nida.nih.gov

This page last updated Monday, January 22, 2001.

Exhibit 4

NORTH DAKOTA

Licensed Addiction Treatment Programs

JANUARY 2006

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Introduction

This directory contains a listing of licensed addiction treatment programs and certified DUI Seminar Program providers.

All programs/providers are listed alphabetically within the region where they are located.

The Division of Mental Health and Substance Abuse Services (DMHSAS) is a Division of the North Dakota Department of Human Services. One of the primary responsibilities of the DMHSAS is licensing of alcohol and drug treatment programs.

Licenses are granted for the following programs: Adult Low Intensity Residential Care; Adolescent Low Intensity Residential Care; Adult High Intensity Residential Care; Adolescent Medium Intensity Residential Care; Adult Intensive Inpatient Treatment; Adolescent High Intensity Inpatient Treatment; Adult Partial Hospitalization/Day Treatment; Adolescent Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Social Detoxification; and DUI Seminar Program.

Licenses are renewed every other year. Some providers are "deemed status" meaning they are certified through another body, but will be issued a new license every two years, based on our North Dakota Administrative Code, Article 75-09.1. The DMHSAS also certifies DUI seminar providers. All certified providers have been trained in the department-approved curriculum. DUI Seminar Providers must teach the DUI Seminar at least twice per certification cycle and attend DUI Seminar Instructor Recertification Training coordinated by the Department once every two years to remain certified.

**** Denotes Native American Treatment Program

Definitions

NDAC means North Dakota Administrative Code, Article 75-09.1, general standards for substance abuse treatment programs.

ASAM patient placement criteria means the second edition, revised, of the patient placement criteria of the American Society of Addiction Medicine.

Low Intensity Residential Care – Adult ASAM Level III.1: A substance abuse treatment program that provides an ongoing therapeutic environment for clients requiring some structured support in which treatment is directed toward applying recovery skills, preventing relapse, improving emotional functioning, promoting personal responsibility, and reintegrating the individual into the worlds of work, education and family life, adaptive skills that may not have been achieved or have been diminished during the client's active addiction.

Low Intensity Residential Care – Adolescent ASAM Level III.1 A substance abuse treatment program that provides an ongoing therapeutic environment for clients requiring some structured support in which treatment is directed toward applying recovery skills, preventing relapse, improving emotional functioning, promoting personal responsibility, and reintegrating the individual into the worlds of work, education and family life, adaptive skills that may not have been achieved or have been diminished during the client's active addiction.

High Intensity Residential Care – Adult ASAM Level III.5 Clinically managed high intensity residential services means a therapeutic community or residential treatment center that offers continuous observation, monitoring and treatment by allied professional staff designed to treat clients who are not sufficiently stable to benefit from outpatient treatment no matter how intensive and who have significant psychological and social problems.

Medium Intensity Residential Care – Adolescent ASAM Level III.5 Clinically managed medium intensity residential care means a substance abuse treatment program that offers continuous observation, monitoring and treatment by allied professional staff of individuals with significant psychological and social problems who are not sufficiently stable to benefit from outpatient treatment no matter how intensive.

Intensive Inpatient Treatment – Adult ASAM Level III.7 Medically monitored intensive inpatient treatment means a substance abuse treatment program that provides a planned regimen of twenty-four-hour professionally directed evaluation, observation, medical monitoring, and addiction treatment in an inpatient setting.

High Intensity Inpatient Treatment – Adolescent ASAM Level III.7 Medically monitored intensive inpatient treatment means a substance abuse treatment program that provides a planned regimen of twenty-four-hour professionally directed evaluation, observation, medical monitoring, and addiction treatment in an inpatient setting.

Partial Hospitalization/Day Treatment – Adult ASAM Level II.5 A substance abuse treatment program that uses multidisciplinary staff and is provided for clients who require a more intensive treatment experience than intensive outpatient treatment but who do not require residential treatment with the exception of ASAM Level III.1.

Partial Hospitalization/Day Treatment – Adolescent ASAM Level II.5 A substance abuse treatment program that uses multidisciplinary staff and is provided for clients who require a more intensive treatment experience than intensive outpatient treatment but who do not require residential treatment with the exception of ASAM Level III.1.

Intensive Outpatient Treatment – Adult ASAM Level II.1 Treatment provided to clients requiring a primary, organized treatment program and who are able to establish abstinence and recovery within the context of the client's usual environment and daily activities. Normally offered in the evening hours to facilitate a client's ability to maintain the usual daily activity, but may be offered during the day.

Intensive Outpatient Treatment – Adolescent ASAM Level II.1 Treatment provided to clients requiring a primary, organized treatment program and who are able to establish abstinence and recovery within the context of the client's usual environment and daily activities. Normally offered in the evening hours to facilitate a client's ability to maintain the usual daily activity, but may be offered during the day.

Outpatient Services – Adult ASAM Level I An organized nonresidential service or an office practice that provides professionally directed aftercare, individual, and other addiction services to clients according to a predetermined regular schedule of fewer than nine contact hours a week.

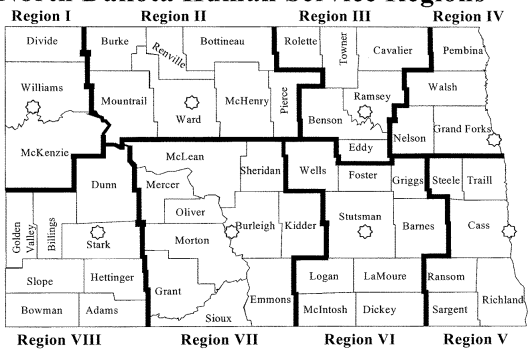
Outpatient Services – Adolescent ASAM Level I An organized nonresidential service or an office practice that provides professionally directed aftercare, individual, and other addiction services to clients according to a predetermined regular schedule of fewer than nine contact hours a week.

Detoxification: The condition of recovery from the effects of alcohol or another drug, the treatment required to manage withdrawal symptoms from alcohol or another drug and the promotion of recovery from its effects.

Social Detoxification ASAM Level III.2-D Detoxification in a residential, nonmedical setting, delivered by appropriately trained staff that provide safe, 24-hour well-monitored environment for clients to achieve initial recovery from the effects of alcohol or other drugs.

DUI Seminar Program ASAM Level 0.5 Alcohol or drug-risk reduction education program for clients convicted of driving under the influence or actual physical control.

North Dakota Human Service Regions



Region I

Contact: Marcus Lee
Basin Alcohol and Drug Services
322 Main Street
Williston, ND 58801

Phone: 701-774-0122
Fax:
Mailing Address: P O Box 1936
Williston, ND 58802-1936

License #: 1149
Remarks:

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Contact: Peggy Heth
Comprehensive Counseling and Consulting
310 Main Street, Suite 20
Williston, ND 58801

Phone: 701-572-1066
Fax: 701-572-7997

Mailing Address: PO Box 1343
Williston, ND 58802-1343

License #: 1164
Remarks:
phcco@nemontel.net

Licensed for: **Adult Outpatient Services**

Contact: Diana Roy
Family Recovery Home Quantum
Lachoer Center for Change
126 W Broadway
Williston, ND 58801

Phone: 701-774-9625
Fax: 701-572-4106

Mailing Address: P O Box 1202
Williston, ND 58072-1202

License #: 1157
Remarks:
recovery@nemontel.net

Licensed for: **Adult Outpatient Services; Adult Intensive Outpatient Treatment; Adult Partial Hospitalization/ Day Treatment; Adult High-Intensity Residential Care**

Region I (Continued)

Contact: Kelly Keith
DUI Seminar Program
512 4th Avenue East
Williston, ND 58801

Phone: 701-572-5269
Fax : 701-577-7705
Mailing Add: 1509 18th St. W #114
Williston, ND 58801

License #: 1100

Remarks:
kellyk@co.williams.nd.us

Licensed for: **DUI Seminar Program**

Contact: Don Wahus
Mercy Recovery Center
1301 15th Avenue West
Williston, ND 58801

Phone: 701-774-7409 or
1-800-213-1796
Fax: 701-774-4188

License #: 1022

Remarks: JCAHO
donaldwahus@catholichealth.org

Licensed for: **Adult Outpatient Services; Adult Intensive Outpatient; Adult Partial Hospitalization/Day Treatment; Adult Low-Intensity Residential; Adult High-Intensity Residential; Adolescent Outpatient Services; Adolescent Intensive Outpatient; Adolescent Partial Hospitalization/Day Treatment; Adolescent Low-Intensity Residential Care; Adolescent Medium-Intensity Residential Care**

Contact: Joseph J. McGillis
Native American Resource Center
Main Street Trenton
Trenton, ND 58853

Phone: 701-774-0461
Fax:

License #: 1175

Remarks:
Joseph.mcgillis@his.gov

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services**

Region I (Continued)

Contact: Ronald Qualley Northwest Human Service Center CDU 316 2nd Avenue West Williston, ND 58801	Phone: 701-774-4600 or 1-800-231-7724 Fax: 701-774-4620 Mailing Address: PO Box 1266 Williston, ND 58802-1266	License #: 1172 Remarks: 81guar@state.nd.us

Licensed for: **Outpatient Services**

Region II

Contact: Dina Goodman
Goodman Addiction Services
1809 South Broadway, Suite S
Minot, ND 58701

Phone: 701-852-3869
Fax: 701-852-9024

License #: 1070
Remarks:
drgoodman1@excite.com

Licensed for: **DUI Seminar Program; Adult Outpatient Services; Adolescent Outpatient Services**

Contact: Belinda Beston
Circle of Life Alcohol Program
302 NE Breslin Addition
New Town, ND 58763-0220

Phone: 701-627-4700 or
1-888-325-9767
Fax: 701-627-4105

License #: 1115
Remarks: ****
Bfb_qrb2@hotmail.com

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adult Outpatient Services; DUI Seminar Program**

Contact: Linda Berdahl
Cornerstone Addiction Services
1705 4th Avenue NW
Minot, ND 58703

Phone: 701-839-0474 or
1-800-253-1863
Fax: 701-839-0713

License #: 1116
Remarks: Also in Region III
dolson@ndak.net

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Region II (Continued)

Contact: Frank Schaefer
Dakota Boys & Girls Ranch Assoc.
6301 19th Avenue NW
Minot, ND 58703

Phone: 701-852-3628 or
1-800-593-3098
Fax: 701-839-5541
Mailing Add: PO Box 5007, Zip 58702

License # 1042

Remarks: JCAHO
ron.hett@sendit.nodak.edu

Licensed for: **Adolescent Low Intensity Residential Care; Adolescent Medium Intensity Residential Care; Adolescent Outpatient Services**

Contact: Bruce Schwan
North Central Human Service Center
400 22nd Avenue NW
Minot, ND 58703

Phone: 701-857-8500 or
1-888-470-6968
Fax : 701-857-8555

License #: 1011

Remarks:
dhsnchsc@state.nd.us

Licensed for: **Adult High Intensity Residential Care; Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Social Detoxification**

Contact: Karmon Taft
Parshall Resource Center
104 S Main Street
Parshall, ND 58770

Phone: 701-862-3682
Fax: 701-862-3401
Mailing Address: P O Box 429
Parshall, ND 58770

License #: 1154

Remarks: ****
prc@ndak.net

Licensed for: **Adult Low Intensity Residential Care**

Region II (Continued)

Contact: Tom Bennett Trinity Hospitals 407 3rd Street SE Minot, ND 58701	Phone: 701-857-2480 or 1-800-862-0005 Fax 701-838-9533 Mailing Add: PO Box 5020, Zip 58702	License #: 1099 Remarks: JCAHO Tom.Bennett@trinityhealth.org

Licensed for: **Adult High Intensity Residential Care; Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Social Detoxification; Adolescent Medium Intensity Residential Care; Adult Intensive Inpatient Treatment; Adolescent High Intensity Inpatient Treatment; Adolescent Partial Hospitalization/Day Treatment**

Contact: Barbara Fix The Village Family Service Center 300 3rd Avenue SW Minot, ND 58701	Phone: 701-852-3328 Fax: 701-838-2521	License #: 1140 Remarks: Also in Region V bfix@thevillagefamily.org

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services**

Region III

Contact: Patty Allery
Prime for Life DUI Seminar Program
Box 900
Belcourt, ND 58316

Phone: 701-477-8732 or
701-477-8627

Fax:

License #: 1112

Remarks: class meets at St. Anne`s Church
****

Licensed for: **DUI Seminar Program**

Contact: Don Olson
Cornerstone Addiction Services
Dunseith City Hall
101 Peace Garden Avenue
Dunseith, ND 58329

Phone: 701-244-5596 or
701-244-0579 after 4 pm

Fax: 701-244-2591
Mailing Add: PO Box 193, Zip 58329

License #: 1116

Remarks: Also in region II, DUI program held in **Dunseith**
dolson@nodak.net

Licensed for: **DUI Seminar Program**

Contact: Pete Azure
Fifth Generation
Highway 5 North
Belcourt, ND 58316

Phone: 701-477-3121
Fax: 701-477-8925
Mailing Address: P O Box 520
Belcourt, ND 58316

License #: 1169

Remarks: ****
glongie@msn.com

Licensed for: **Adult Low Intensity Residential Care**

Region III (Continued)

Contact: Roland Nygaard
Lake Counseling
Pederson Building
214 1st Avenue
Devils Lake, ND 58301

Phone: 701-662-7975
Fax:
Mailing Address:
201 9th Avenue SE
Devils Lake, ND 58301

License #: 1132
Remarks:
83nygr@state.nd.us

Licensed for: **Adult Outpatient Services; DUI Seminar Program**

Contact: Roland Nygaard
Lake Region Human Service Center
200 Highway 2 SW
Devils Lake, ND 58301

Phone: 701-665-2200 or 1-888-607-8610
Fax: 701-665-2300
Mailing Address: PO Box 650
Devils Lake, ND 58301-0650

License #: 1013
Remarks: Outreach Clinic in Harvey
www.state.nd.us/humanservices

Licensed for: **Adult High Intensity Residential Care; Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Social Detoxification; Adolescent Medium Intensity Residential Care; Adult Low Intensity Residential Care**

Contact: Lisa Hoffman
Lake Region Outreach Clinic
103 1st Avenue SE
Rolla, ND 58367

Phone: 701-477-8272
Fax: 701-477-8281
Mailing Address: PO Box 88
Rolla, ND 58367

License #: 1013
Remarks:
www.state.nd.us/humanservices

Licensed for: **Adult High Intensity Residential Care; Adult Partial Hospitalization/Day Treatment; Adult Outpatient Services; Social Detoxification; Adult Low Intensity Residential Care**

Region III (Continued)

Contact: Debra Moller
LRLEC Chemical Dependency Prog
222 Walnut Street W
Devils Lake, ND 58301

Phone: 701-662-0700
Fax: 701-662-0707

License #: 1161
Remarks:
dam@lrlec.org

Licensed for: **Adolescent Outpatient Services**

Contact: Frank Myrick
Prime for Life
DUI Seminar Program
71
St. Michael, ND 58370

Phone: 701-766-4855
Fax: 701-766-4273

License #: 1104
Remarks: DUI Program held in **Ft. Totten**
frankmyrick@gondtc.com

Licensed for: **DUI Seminar Program**

Contact: Evelyn Cavanaugh
Spirit Lake Nation Recovery and Wellness Program
7102 Crowhill Road
Ft. Totten, ND 58335

Phone: 701-766-4285
Fax: 701-766-1229
Mailing: PO Box 88
Ft. Totten, ND 58335

License #: 1136
Remarks: ****
kanqi@gondtc.com

Licensed for: **Adult Outpatient Services; Adult Intensive Outpatient Services; Adult Low-Intensity Residential Services**

Region III (Continued)

Contact: Warren Anderson
Thunder Mountain Counseling Service
County Road #5 West
Belcourt, ND 58316

Phone: 701-477-3319 or 477-0327
Fax: 701-477-0569
Mailing Address: P O Box 428
Belcourt, ND 58316

License #: 1146

Remarks: ****
Blueth50@yahoo.com

Licensed for: **Adult Outpatient Services**

Contact: Glenda Larson
Towner County Medical Center
Center for Solutions
7448 68th Avenue NE
Cando, ND 58324-0688

Phone: 701-968-2568
Fax: 701-968-2552

License #: 1153

Remarks:
solutions@tcmedcenter.com

Licensed for: **Adult/Adolescent Combined Program High-Intensity Residential Care; Adult/Adolescent Combined Program Partial Hospitalization/Day Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Social Detoxification**

Contact: David Hillman
Valleyview Recovery
Cavalier County Memorial Hospital
Langdon, ND 58249

Phone: 701-549-3829
Fax: 701-549-3829
Mailing Address: 12055 100th St. NE
Walhalla, ND 58282

License #: 1159

Remarks:
djohn@utma.com

Licensed for: **DUI Seminar Program**

Region III (Continued)

Contact: Luke Klefstad, Sup
The Village Family Service Center
224 4th Street NW Ste 5
Devils Lake, ND 58301

Phone: 701-662-6776
Fax: 701-662-6889

License #: 1140
Remarks: Also in Region II
gwolsky@thevillagefamily.org

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services**

Contact: Linda Duckwitz
Volk Human Services
501 3rd Street NE Ste 1
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Phone: 701-662-1911
Fax: 701-662-4770

License #: 1162
Remarks: DBA Only Human Counseling Services Region V
gsvolk.volkhs@midconetwork.com

Licensed for: **Adult and Adolescent Outpatient Services at Devils Lake/Fargo; DUI Seminar Program at Fargo**

Region IV

Contact: Gary Wentz
Alcohol and Drug Services, Inc.
311 S 4th Street, Suite 1
Grand Forks, ND 58201-4726

Phone: 701-746-0929 or 1-800-792-7466
Fax:

License #: 1088

Remarks:
Adsinc4@qwest.net

Licensed for: **Adult Outpatient Services; DUI Seminar Program**

Contact: Sonja Nelson
Centre, Inc.
201 4th Street South
Grand Forks, ND 58208

Phone: 701-746-6303
Fax: 701-746-7713
Mailing Address: PO Box 14102
Grand Forks, ND 58208-4102

License #: 1077

Remarks: Progs in Bismarck & Fargo
sonjaol@btinet.net

Licensed for: **Adult Low Intensity Residential Care**

Contact: Craig Davis
Drake Counseling
2100 Columbia Rd. Suite 212
Grand Forks, ND 58201

Phone: 701-746-8414
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License #: 1073

Remarks: Also in Fargo
drakecounseling@aol.com

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adolescent Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Region IV (Continued)

Contact: Don Foley
Don Foley Counseling
5042 5th Avenue North
Grand Forks, ND 58203

Phone: 701-746-7857
Fax:

License #: 1125
Remarks:

Licensed for: **Adult Outpatient Services**

Contact: Michael A. Bryan
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Grafton, ND 58237

Phone: 701-352-1667
Fax: 701-352-1667

License #: 1052
Remarks: DUI Seminar in Cavalier

Licensed for: **Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Contact: Betty Hellerud
Northeast Human Service Center
151 South 4th Street, Suite 401
Grand Forks, ND 58201-4735

Phone: 701-795-3000 or 1-888-256-6742
Fax: 701-795-3050

License #: 1049
Remarks: 84helb@state.nd.us

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adolescent Medium Intensity Residential Care: Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services**

Region IV (Continued)

Contact: John Hennessy
Northridge Counseling Centre, Inc.
215 North 3rd Street, Suite 202A
Grand Forks, ND 58203

Phone: 701-772-7203
Fax: 701-772-7204

License #: 1054
Remarks:

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Contact: Pam Quinn
Quinn DUI-MIP Seminar
38 West 6th Street
Grafton, ND 58237

Phone: 701-352-9622
Fax :
Mailing Address: 731 West 6th Street
Grafton, ND 58237

License #: 1167
Remarks:
pquinn@polorcom.com

Licensed for: **DUI Seminar Program**

Contact: James Murphy
Regional Evaluation & Counseling Ctr
1407 24th Avenue South, Suite 203
Grand Forks, ND 58201

Phone: 701-746-4944
Fax:

License #: 1147
Remarks:
rrmurphygf@yahoo.com

Licensed for: **Adult Outpatient Services; DUI Seminar**

Region IV (Continued)

Contact: Evette Ethridgehill
STEP Program
107 Conklin Avenue
Grand Forks, ND 58203-1622

Phone: 701-775-8295
Fax: 701-775-8295

License #: 1158

Remarks:
Nancy_benncarlstrom@yahoo.com

Licensed for: **Adult Low-Intensity Residential Care**

Contact: James Murphy
UND Counseling Center
200 McCannel Hall
Grand Forks, ND 58202-9042

Phone: 701-777-2127
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License #: 1129

Remarks:
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Licensed for: **Adult Outpatient Services**

Contact: Katy Wright
Katy Wright Counseling
1407 24th Avenue South, Suite 214-C
Grand Forks, ND 58201-6761

Phone: 701-746-9488 or
1-800-357-9488
Fax: 701-746-9488

License #: 1126

Remarks:
kwright@medicine.nodak.edu

Licensed for: **Adult Outpatient Services**

Region V

Contact: Keith Gilleshammer
Centre, Inc.
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Fargo, ND 58107-1269

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Fax: 701-237-9945
Mailing Address: PO Box 1269
Fargo, ND 58107-1269

License #: 1077
Remarks: Programs in Bismarck & Grand Forks
keithgi@btinet.net

Licensed for: **Adult Intensive Outpatient Treatment; Adult Outpatient Services; Adult Low-Intensity Residential Care; Social Detoxification**

Contact: Christeen McLain
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Fargo, ND 58102

Phone: 701-232-5579
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Fargo, ND 58102-2821

License #: 1068
Remarks: DUI Programs in Fargo & Wahpeton
christeen444444@yahoo.com

Licensed for: **Adult Outpatient Treatment; DUI Seminar Program**

Contact: Kandia Qual
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633 1st Avenue North
Fargo, ND 58102

Phone: 701-223-4517 or 701-298-7979
Fax: 701-223-5775

License #: 1168
Remarks:
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Licensed for: **Social Detoxification**

Region V (Continued)

Contact: Chuck Drake
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Fax: 701-293-0736

License #: 1073
Remarks:
drakecounseling@aol.com

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adolescent Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Contact: Susan Stenehjem-Brown
First Step Recovery, PLLP
409 7th Street South
Fargo, ND 58103

Phone: 701-293-3384
Fax: 701-293-3759

License #: 1142
Remarks:
stenehjemb@aol.com

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services**

Contact: Robert E. Howe
Robert E. Howe, Ltd.
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Phone: 701-261-8668
Fax: 701-298-3497
701-271-8066 (answering service)

License #: 1128
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howelaclpcc@aol.com

Licensed for: **Adult Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services**

Region V (Continued)

Contact: Cyndy Skorick
MeritCare Health Systems
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1-800-437-4010
Fax: 701-461-5649
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Fargo ND 58122

License #: 1045
Remarks: JCAHO
cyndyskorick@meritcare.com

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment**

Contact: Laurie Ray
New Hope Recovery, Inc.
118 Broadway, Suite 211
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Phone: 701-280-9090
Fax: 701-280-9091

License #: 1165
Remarks:
newhoperecovery@yahoo.com

Licensed for: **Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services**

Contact: Jane Johnson
New Start Recovery Center
P O Box 1413
Fargo, ND 58102

Phone: 701-866-7933
Fax:

License #: 1152
Remarks:

Licensed for: **DUI Seminar Program**

Region V (Continued)

Contact: Jacob Reuter
North Dakota Veterans Home
1400 Rose Street
Lisbon, ND 58054

Phone: 701-683-6500
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Mailing Address: PO Box 673
Lisbon, ND 58054

License #: 1170

Remarks:
jreuter@state.nd.us

Licensed for: **Adult Outpatient Services**

Contact: Lynn Olund
Lynn Olund DUI Seminar Program
800 North University Drive
Fargo, ND 58102

Phone: 701-298-3875
Fax:

License #: 1108

Remarks:
lynnwo@cableone.net

Licensed for: **DUI Seminar Program**

Contact: Linda Duckwitz
Only Human Counseling
118 Broadway, Suite 517
Fargo, ND 58102

Phone: 701-476-0497 or
1-888-476-0497
Fax: 701-298-7811

License #: 1174
Remarks: Licensed under Volk Human
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lduckw@aol.com

Licensed for: **Adult and Adolescent Outpatient Services at Devils Lake/Fargo; DUI Seminar Program at Fargo**

Region V (Continued)

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1112 Nodak Drive, Suite 200
Fargo, ND 58103

Phone: 701-280-9545 or
1-800-766-9321

Fax: 701-280-9520

License #: 1160

Remarks: Programs in Casselton and
West Fargo
bmetcalfe@pathinc.org

Licensed for: **Social Detoxification**

Contact: Koby Pennick
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1306 9th Street North
Fargo, ND 58102

Phone: 701-232-5955 or
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Fax: 701-237-6396

License #: 1025

Remarks:

Licensed for: **DUI Seminar Program**

Contact: Marshall Kormann
Prairie at St. John's
510 4th Street South
Fargo, ND 58103

Phone: 701-476-7200 or
1-877-333-9565

Fax: 701-476-7273 or 7261
PO Box 2027 Zip 58107-2027

License #: 1118

Remarks: JCAHO
www.prairie-stjohns.com

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adolescent Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Adult Intensive Inpatient Treatment; Adolescent High-Intensity Inpatient Treatment; Adult Low-Intensity Residential Care; Adult High-Intensity Residential Care; Adolescent Medium-Intensity Residential Care**

Region V (Continued)

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Share House, Inc.
4227 6th Avenue S
Fargo, ND 58103

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Fax: 701-277-0306

License #: 1056
Remarks:

bill@cablecne.net

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adult Outpatient Services; Adult Low-Intensity Residential; Adult High-Intensity Residential; DUI Seminar Program**

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License #: 1130
Remarks:

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Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services**

Contact: Peg Boren
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2624 6th Avenue South
Fargo, ND 58103-2350

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Fax: 701-298-4400

License #: 1015

Remarks: For Adolescent referrals, contact Melody Peterson
dhssehsc@state.nd.us

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services**

Region V (Continued)

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2101 North Elm Street (116A)
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Fax: 701-237-2642

License #: 1007

Remarks: JCAHO
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Licensed for: **Adult Intensive Outpatient Services; Adult Outpatient Services; DUI Seminar Program**

Contact: Gary Wolsky, President
Village Family Service Center
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Shelly Guida, Coord of Counseling
PO Box 9859 Zip 58106-9859

License #: 1140

Remarks: Also in Region II
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Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services**

Region VI

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Mailing Address: PO Box 874
Jamestown, ND 58402

License #: 1075

Remarks:

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; Adult Intensive Outpatient; DUI Seminar Program**

Contact: Eleanore Dossenko
Eleanore Dossenko DUI Seminar
325 Brewster Street
Harvey, ND 58341

Phone: 701-324-4651

Fax:

License #: 1113

Remarks:
edoss@ndak.net

Licensed for: **DUI Seminar Program**

Contact: John Evanson
James River Correction Center
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Jamestown, ND 58401

Phone: 701-253-3715

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License #: 1023

Remarks: Under ND State Pen License
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Licensed for: **Adult Intensive Outpatient Treatment; Adult Outpatient Treatment**

Region VI (Continued)

Contact: Kerry Wicks
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Phone: 701-253-3201
Fax: 701-253-3910

License #: 1006
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Licensed for: **Adult High Intensity Residential Care; Adult Intensive Inpatient Treatment**

Contact: Delaine Anderson
Positive Solutions Counseling
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Valley City, ND 58072

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License #: 1163
Remarks:
dbanderson@csicable.net

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Contact: Kerry Wicks
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Mailing Address: P O Box 282
Jamestown, ND 58402-0282

License #: 1063
Remarks:
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Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services**

Region VI (Continued)

Contact: Kristie Spooner
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1-800-260-1310
Fax: 701-253-6400

License #: 1016

Remarks:
86spok@state.nd.us

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Adult Low-Intensity Residential Care; Adult High-Intensity Residential Care; Adolescent Medium-Intensity Residential Care; Social Detoxification**

Contact: Kerry Wicks
Tompkins Rehab & Corrections Unit
205 6th Street SE
Jamestown, ND 58401

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Fax: 701-252-7087
Mailing Address: 2605 Circle Drive
Jamestown, ND 58401

License #: 1006

Remarks: Licensed under NDSH
wicksk@state.nd.us

Licensed for: **Adult High Intensity Residential Care**

Region VII

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Wilton, ND 58579

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Cell Phone: 70l-471-2033
Fax: 701-734-6379

License #: 1173

Remarks: Counties of Mercer, McLean, Sheridan, Oliver, and Kidder

Licensed for: **DUI Seminar Program**

Contact: Rose Basaraba
Rose Basaraba Counseling Service
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Phone: 701-224-1615

Fax: 701-224-1615

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Remarks:
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Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Contact: Barb Kersten
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Fax: 701-222-3599

License #: 1155

Remarks:
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Licensed for: **Adult Outpatient Services; Adult Intensive Outpatient Treatment; Adult Partial Hospitalization/ Day Treatment**

Region VII (Continued)

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License #: 1077

Remarks: Programs in G Fks & Fargo
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Licensed for: **Adult Intensive Outpatient Treatment; Adult Outpatient Services; Adult Low Intensity Residental Care**

Contact: Dick Elefson
DE Counseling Service
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Fax: 701-255-2756

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Remarks:
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Licensed for: **Adult Outpatient Services**

Contact: Kurt Snyder
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Fax: 701-255-4891

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Remarks:
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Licensed for: **Adult/Adolescent Combined Program Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult/Adolescent Combined Program Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Region VII (Continued)

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A Kazmierczak Counseling Service
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Fax:

License #: 1151
Remarks:

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Contact: Jeff Olson
New Freedom Center
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Bismarck, ND 58503

Phone: 701-222-4673 or
1-800-334-8244
Fax : 701-222-3947

License #: 1156
Remarks: Owner: Josh Olson
jro.nfc@midconetwork.com

Licensed for: **Adult Outpatient Services; Adult Intensive Outpatient Services; Adult Partial Hospitalization/ Day Treatment; Adult Low Intensity Residential Care; Adult High Intensity Residential Care; DUI Seminar Program**

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Phone: 701-328-6659
Fax: 701-328-6152
Mailing Address: PO Box 5521
Bismarck, ND 58506-5521

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Remarks: Programs at NDSP, MRCC, and JRCC Accredited by ACA
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Licensed for: **Adult High Intensity Residential Care; Adult Intensive Outpatient Treatment; Adult Outpatient Services**

Region VII (Continued)

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Phone: 701-667-1400
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License #: 1138

Remarks: Accredited by ACA
rmunns@state.nd.us

Licensed for: **Adolescent Outpatient Services; Adolescent Intensive Outpatient Services**

Contact: David Marion
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License #: 1137

Remarks:
www.prairielearningcenter.org

Licensed for: **Adolescent Low Intensity Residential Care; Adolescent Intensive Outpatient Services; Adolescent Outpatient Services**

Contact: Lynette Rasmusson
St. Alexius MC/PHP Dual Diagnosis Program
311 North 11th Street
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License #: 1150

Remarks: JCAHO
lrasmusson@primecare.org

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; Adult Partial Hospitalization/Day Treatment; Adolescent Partial Hospitalization/Day Treatment**

Region VII (Continued)

Contact: Elise Ronsberg West Central Human Service Center 1237 West Divide Avenue Ste 5 Bismarck, ND 58501-1208	Phone: 701-328-8888 or 1-888-328-2662 Fax: 701-328-8900	License #: 1018 Remarks: Adolescent referrals – Sandy Gustin; Outreach Clinic in Beulah www.state.nd.us/humanservices/locations/regionalhsc/westcentral

Licensed for: **Adult Low Intensity Residential Care; Adolescent Low Intensity Residential Care; Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services; Social Detoxification**

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Licensed for: **Adult Intensive Outpatient Treatment; Adult Outpatient Services; DUI Seminar Program**

Region VIII

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Dickinson, ND 58601-4857

Phone: 701-227-7500 or 1-888-227-7525
Fax: 701-227-7575

License #: 1019

Remarks: Outreach in Bowman
88shee@state.nd.us

Licensed for: **Adult Partial Hospitalization/Day Treatment; Adult Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services**

Contact: Loree Basaraba-Thompson
Dakota Horizons Counseling Services
66 Museum Drive
Dickinson, ND 58601

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Fax: 701-456-7687

License #: 1082

Remarks:
lbasaraba@state.nd.us

Licensed for: **Adult Intensive Outpatient Treatment; Adolescent Intensive Outpatient Treatment; Adult Outpatient Services; Adolescent Outpatient Services**

Contact: John & Marsha Wieglenda
Heart River Alcohol and Drug Abuse
7 1st Avenue West, #101
Dickinson, ND 58601

Phone: 701-483-0795
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License #: 1071

Remarks:
hrad@ctctel.com

Licensed for: **Adult Intensive Outpatient Treatment; Adult Outpatient Services; DUI Seminar Program**

Region VIII (Continued)

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Licensed for: **Adolescent Low Intensity Residential Care**

Contact: Loree Basaraba-Thompson Painted Canyon Counseling Services 135 Sims Street, Ste 208 Dickinson, ND 58601	Phone: 701-290-1596 Fax: Mailing Address: 507 4th Ave West Dickinson, ND 58601	License #: 1171 Remarks: lbasaraba@state.nd.us

Licensed for: **Adult Outpatient Services; Adolescent Outpatient Services; DUI Seminar Program**

Division of Mental Health and Substance Abuse Services
North Dakota Department of Human Services
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Bismarck, ND 58501-1208
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Carol Olson, Executive Director
Department of Human Services

JoAnne Hoesel, Director
Division of Mental Health/Substance Abuse Services

Sue Tohm, Needs Assessment Coordinator
Division of Mental Health/Substance Abuse Services

Charlotte Olson, Prevention Coordinator
Division of Mental Health/Substance Abuse Services

Don Wright, Assistant Director
Division of Mental Health/Substance Abuse Services

Kris Storbeck, Treatment Services Administrator
Division of Mental Health/Substance Abuse Services

Kathy Erhardt, Administrative Assistant
Division of Mental Health/Substance Abuse Services

Senator CONRAD. Thank you very much. Really excellent presentation.

And now Karin Walton, Program Director of the North Dakota Higher Education Consortium for Substance Abuse Prevention. That is a mouthful.

Ms. WALTON. Yes, it is a mouthful.

Senator CONRAD. She has extensive experience as a licensed addiction counselor. Welcome.

STATEMENT OF KARIN L. WALTON, DIRECTOR OF THE NORTH DAKOTA HIGHER EDUCATION CONSORTIUM FOR SUBSTANCE ABUSE PREVENTION

Ms. WALTON. Thank you, Senators Conrad and Dorgan. Thank you for the opportunity to be here today, and for the record, I am Karin Walton, the Director of the North Dakota Higher Education Consortium for Substance Abuse Prevention. This is a new initiative in addressing college substance abuse in North Dakota and we're very excited about that.

I appear before you today to talk about drug prevention, and I believe that my testimony is very timely and will support what has been shared in other testimony today and also will bring to the table possibly a challenge or a call to action.

A recurring discussion revolves around the types of approaches that are most effective in reducing drug use and its related problems. Traditional approaches have focused on individuals. That is, providing interventions or treatment to those who are at highest risk or educating youth to resist peer pressure or fining and arresting those who break the law.

However, these approaches alone have not proved evidence to support changes in behavior or appear to produce only temporary results rather than long-term behavior changes. So because of this, there's the need to identify other ways to understand prevention strategies. These individually based approaches may be complemented by a broader individual—or a broader—excuse me—environment; therefore, increasing the likelihood of long-term reductions in methamphetamine use and related problems.

The environmental management approach supports the need for prevention efforts to focus on health issues in a broader context. There cannot be the focus on just one aspect of prevention, but prevention in a collaborative effort at the local, State, and Federal level.

Senator Conrad, it is important to be reminded that young people are individuals who rarely wake up one morning who say, "I'm going to use methamphetamine," and they don't go from Little League Baseball to big league drugs overnight.

Tobacco, alcohol, marijuana, and inhalants, these are the drugs that children usually use first and are called gateway drugs because children learn to accept and embrace the high. They use drug-attainment skills and drug-taking habits and learn how to lie, cheat, sneak, and steal to get the drugs.

And once a young person gives himself or herself permission to use any harmful drug, it is so much easier the next time to do the same and the next time after that and so on. So the use of any gateway drug is a strong predictor for future use of other drugs. Thus, preventing any use of any gateway drug by any young person is absolutely critical.

It's also important to remember that it's not just meth, not just alcohol, not just marijuana, or not just tobacco. Rather we need the identification of a broader societal problem across all substances. For instance, when we do meth prevention, we are also doing tobacco prevention, other drug prevention, alcohol prevention, crime prevention, STD prevention, injury prevention, violence prevention, sexual assault prevention, and the list goes on and on.

Prevention efforts require a focus on understanding and preventing child and adolescent health and behavior problems. It seeks to identify risk and protective factors for health and behavior problems across multiple domains, to understand how these factors interact in the development of prevention of problem behaviors and then to test comprehensive prevention strategies, which seek to reduce the enhancement of strengths and protective factors in families and schools, peer groups and communities.

And I would like to direct your attention to the guiding principles for prevention in my written testimony, which outline the elements of effective prevention programs according to the National Institute of Drug Abuse.

One of the chief lessons taught by nearly two decades of prevention research is the need for a comprehensive approach, one that not only addresses the specific educational needs of individuals but also seeks to bring about change at the institutional, community, and public policy level.

This approach is grounded in the firmly established principle that the decisions that people make about alcohol and other drugs, including meth, will be shaped by the physical, social, economic, and legal environment that in turn can be shaped by a committed group of prevention and health advocates, governmental leaders, higher education officials, State administrators, law enforcement, city leaders, medical personnel, teachers, parents, students and many, many others.

This comprehensive approach represents and supports a shift in thinking about prevention, however. It suggests new leadership roles for State administrators, campus officials, community members, parents and students as they attempt to reduce problems associated with alcohol and other drugs.

Clearly, addressing the methamphetamine epidemic and the related consequences in North Dakota is not something that one entity can handle alone. We've heard that today. Top administrators, especially State leaders, must exercise their leadership to help build strong coalitions to protect our communities.

In order to accomplish this, however, there need to be resources available to continue the efforts that have been successful in North Dakota in reducing access to producing the products that contribute to the manufacturing of meth, increased law enforcement to support penalties for possession, and the development of affordable treatment.

I respect your insight, Senator Conrad, to the fact that getting rid of labs doesn't get rid of the drugs. We didn't—we learned our lesson really well in the 1930's during the prohibition of alcohol. I think 10,000 people in New York City went through treatment in the last year of prohibition, so I appreciate your leadership, Senators Conrad and Dorgan, for bringing this important crisis to the Federal table. Thank you.

[The prepared statement of Ms. Walton follows:]

United States Senate

Committee on the Budget

Field Hearing

Challenges in Addressing the Methamphetamine Crisis

Panel Three: Prevention Testimony

Karin L. Walton

Director

North Dakota Higher Education

Consortium for Substance Abuse Prevention

Monday January 16, 2006

The Prairie Rose Room

North Dakota State University

Fargo, North Dakota

A recurring discussion revolves around the types of approaches that are most effective in reducing drug use and its related problems. Traditional approaches have focused on individuals—providing interventions or treatment to individuals who are at highest risk of drug related problems, or educating youth to resist peer pressure, or fining and arresting those who break the law. However, these individually based approaches may be complemented by changing the broader environment, therefore, increasing the likelihood of long-term reductions in meth use and related problems.

The earliest prevention technique was based on the assumption that if individuals were given accurate information and had knowledge about the negative effects of alcohol and other drugs they would abstain because it was the best thing for their health (Gilchrist, 1994). However, this information-only approach has not provided evidence that passive receipt of health information was enough to alter a person's behavior or reduce their present or future use of alcohol and other drugs (Goodstadt, 1989; Tobler, 1986).

Another effort has been to teach and encourage drug taking refusal skills, to resist urges or social pressures to use drugs solely by self-efficacy (Weitzman & Nelson, 2004). Still another early prevention approach was based on changing the attitude of the individual, specifically those who use alcohol and other drugs to compensate for lack of self-esteem or personal values (Gilchrist, 1994). Again, evidence from evaluation of this approach did not support changes in attitude or values clarification (Tobler, 1986).

Finally, the prevention strategy developed from social influences model was identified to inoculate youth against the effects of peer pressure by giving them the cognitive and behavioral skills to resist the peer pressure to use alcohol or other drugs (Gilchrist, 1994). However, evaluation of this strategy reveals that inoculation appears to produce only temporary results rather than long-term behavior changes (Flay, 1985, Gilchrist, 1994).

As a result of the limited success in knowledge, attitudinal, and inoculation theory based strategies, there is a need to identify other ways to understand prevention strategies. The environmental management approach supports the need for prevention efforts to focus on health issues in a broader context. There cannot be the focus on just one aspect of prevention, but prevention in a collaborative effort at the local, state, and federal level.

We need to be reminded that young people or individuals usually don't just wake up one morning and decide to "do methamphetamine"; they don't go from "little league baseball" to "big league drugs" overnight. Tobacco, Alcohol, Marijuana, and inhalants – these are the drugs which children use first and are called "Gateway Drugs" because children learn to accept and embrace the "high". They learn drug-attainment skills and drug-taking habits such as how to lie, cheat, sneak and steal to get drugs. Once a young person gives himself/herself permission to use any harmful drug, it is so much easier the next time to do the same, and the next time after that, and the next time. The use of any "Gateway Drug" is a strong predictor for future use of other drugs. Thus, preventing any use of any gateway drug by any young person is absolutely critical.

- Brief, family-focused interventions for the general population can positively change specific parenting behavior that can reduce later risks of drug abuse (Spoth et al. 2002b).

Principle 6 - Prevention programs can be designed to intervene as early as *preschool* to address risk factors for drug abuse, such as aggressive behavior, poor social skills, and academic difficulties (Webster-Stratton 1998; Webster-Stratton et al. 2001).

Principle 7 - Prevention programs for *elementary school children* should target improving academic and social-emotional learning to address risk factors for drug abuse, such as early aggression, academic failure, and school dropout. Education should focus on the following skills (Conduct Problems Prevention Research Group 2002; Ialongo et al. 2001):

- self-control;
- emotional awareness;
- communication;
- social problem-solving; and
- academic support, especially in reading.

Principle 8 - Prevention programs for *middle* or *junior high* and *high school students* should increase academic and social competence with the following skills (Botvin et al. 1995; Scheier et al. 1999):

- study habits and academic support;
- communication;
- peer relationships;
- self-efficacy and assertiveness;
- drug resistance skills;
- reinforcement of anti-drug attitudes; and
- strengthening of personal commitments against drug abuse.

Principle 9 - Prevention programs aimed at general populations at key transition points, such as the transition to middle school, can produce beneficial effects even among high-risk families and children. Such interventions do not single out risk populations and, therefore, reduce labeling and promote bonding to school and community (Botvin et al. 1995; Dishion et al. 2002).

Principle 10 - Community prevention programs that combine two or more effective programs, such as family-based and school-based programs, can be more effective than a single program alone (Battistich et al. 1997).

Principle 11 - Community prevention programs reaching populations in multiple settings—for example, schools, clubs, faith-based organizations, and the media—are most effective when they present consistent, community-wide messages in each setting (Chou et al. 1998).

Principle 12 - When communities adapt programs to match their needs, community norms, or differing cultural requirements, they should retain core elements of the original research-based intervention (Spoth et al. 2002b), which include:

- Structure (how the program is organized and constructed);
- Content (the information, skills, and strategies of the program); and
- Delivery (how the program is adapted, implemented, and evaluated).

Principle 13 - Prevention programs should be long-term with repeated interventions (i.e., booster programs) to reinforce the original prevention goals. Research shows that the benefits from middle school prevention programs diminish without followup programs in high school (Scheier et al. 1999).

Principle 14 - Prevention programs should include teacher training on good classroom management practices, such as rewarding appropriate student behavior. Such techniques help to foster students' positive behavior, achievement, academic motivation, and school bonding (Ialongo et al. 2001).

Principle 15 - Prevention programs are most effective when they employ interactive techniques, such as peer discussion groups and parent role-playing, that allow for active involvement in learning about drug abuse and reinforcing skills (Botvin et al. 1995).

Principle 16 - Research-based prevention programs can be cost-effective. Similar to earlier research, recent research shows that for each dollar invested in prevention, a\ savings of up to $10 in treatment for alcohol or other substance abuse can be seen (Aos et al. 2001; Hawkins et al. 1999; Pentz 1998; Spoth et al. 2002a).

A good prevention program addresses all stages of child development, a mix of audiences and settings, and the delivery of effective services at the community level. Prevention interventions designed and tested to address risks can help children at every step along their developmental path. Working more broadly with families, schools, and communities, scientists have found effective ways to help people gain the skills and approaches to stop problem behaviors before they occur.

An effective prevention strategy is the environmental management approach. Environmental management as applied to alcohol and other drug prevention simply means for state officials, working in conjunction with the local community, to change the environment that contributes to alcohol and other drug problems. Such change can be brought about through an integrated combination of programs, policies, and public education campaigns. Stated simply, traditional approaches to prevention have tacitly accepted the world as it is and then tried to teach individuals how to resist its temptations. In contrast, with the environmental management approach, there is a coordinated effort to change the community environment-- in order to produce a large-scale impact on the entire state.

To increase the implementation of these environmental strategies, we need support of statewide alcohol and other drug prevention initiatives, concerted efforts by campus administrators, state government officials, and state-level community prevention organizations to support local community change. Statewide initiatives can offer training, consultation, funding, and evaluation support to community coalitions, with the goal of building coalitions' capacity to analyze local problems, develop a strategic action plan, forge critical partnerships, and implement environmental programs and activities.

Clearly, preventing drug use and the related consequences is not something that any one entity can handle alone. Top administrators, especially state leaders must exercise their leadership to help build strong coalitions to protect our communities. In order to accomplish this, however, there needs to be resources available to continue efforts that have been successful in North Dakota in reducing access to products that contribute to the manufacturing of meth, increase law enforcement to support penalties for possession, and the development of affordable treatment.

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Senator CONRAD. Thank you very much. I am going to call on Senator Dorgan for any questions he might have of this panel and then I will close it out with my questions, and so I would turn to Senator Dorgan for his questions.

Senator DORGAN. I do not have a question but your testimony, the description of these programs and the description of the problem and some of the solutions, is really excellent. I really appreciate hearing new things and I do think there are victims here.

We talk about users but that there are victims here, and the key words are prevention and treatment and we can do a lot of things, but if someone is dreadfully addicted to this devastating drug and we don't help, we don't find a way to help that person shed that addiction, all of the other problems that result from continued use and the behavior of continued use will inevitably show up on our doorstep the next day, the next week, the next month.

The work that you do is probably less noticed then and less discussed then the work of law enforcement and prosecutors, but it is critically important work and Senator Conrad and I and others in

the Congress have felt that you have to also devote substantial attention to this issue of addiction.

I think our prosecutors talked about that as well because for them it becomes a revolving door of people in and out. So I just want to thank you both for coming and thank you for waiting a long time to testify, but your testimony was well worth it. Thank you very much.

Senator CONRAD. Thank you, Senator Dorgan. You know, I think one of the most important messages that can come out of this panel is the notion that it is hopeless to treat people is not right. It is not hopeless. It is difficult and it is challenging to treat people effectively but the fact is there are treatment regimes that are proven to be successful. Am I right in that assertion?

Ms. LARSON. Senator Conrad, you're absolutely correct, and earlier on in the methamphetamine crisis as it was occurring, we've had a lot of talk and a lot of conventional wisdom, well intended as it was, is that there's no recovery, there's no hope, and there's no possibility, but thanks to the efforts of the National Institute on Drug Abuse, thanks to the efforts of treatment providers who were willing to really kind of back up and kind of rethink how—how they delivered treatment, we know that there are people who are in recovery.

I think that one of the things that's so important for all of us to understand is that like all chronic relapsing progressive diseases is that people do relapse, whether it's alcoholism, whether it's other drugs of abuse, whether it's other chronic illnesses. That those illnesses have a life of their own characterized by remission and exacerbation, and what we need to do is to have a treatment system that is really, really able to move in as early as possible to understand the dynamics of relapse and impending relapse and to intervene early, rather than waiting until people are really at the bottom of——

Senator CONRAD. So even if somebody relapses, that isn't hopeless either.

Ms. LARSON. Absolutely not. Absolutely not.

Senator CONRAD. They may have several relapses. Doesn't mean that you can't recover.

Ms. LARSON. Right.

Senator CONRAD. A couple of things that you said, Karen Larson, that I wanted to followup on. One is you talked about a cognitive approach. That a cognitive approach might be more successful with some. What does that mean, a cognitive approach?

Ms. LARSON. Well, the cognitive approach to treatment is really based on the fact that as a part of the addictive process, and even indeed in some other behaviors that lead to criminality and lead to criminal behavior, really are the result of errors in thinking.

And I remember hearing a particular presentation from a social scientist out of California, who talks about people with sociopathy and the inability to kind of—

Senator CONRAD. Think straight.

Ms. LARSON. Or think straight but also to discern right and wrong, and errors in thinking mean that you are not able to understand that if you take a particular action it is going to lead to particular consequences and so the cognitive approach to treatment,

which is woven into the Matrix Model, for instance, really works very hard at helping clients to learn how to think differently, to apply different solution, problem-solving approaches to their lives so that they in turn can learn how to make better choices when they are on the outside.

Senator CONRAD. The second thing that you said that really caught my attention was this notion of craving. You know, I have referenced conversations we had in Grand Forks last night about parents who really abandon their children. I mean they are not feeding them. They are not caring for them. They have just basically abandoned their kids. You know, that goes against such deep parental feelings. What is going on that could lead somebody to do that?

You talked about this overwhelming craving. So how do you deal with that? Are there drugs that people take or what is done to offset that powerful craving that these people experience?

Ms. LARSON. Well, first of all, you have to get people into treatment and again understand the brain biology that you have lost the ability to produce dopamine and serotonin and other endorphins, and those are the things that make you and I feel well, be in balance, to be able to function normally.

Senator CONRAD. To have a sense of well-being?

Ms. LARSON. Absolutely.

Senator CONRAD. So what do you do about that here?

Ms. LARSON. As a result of that as you take that drug away, you have somebody who is in the acute phase going to go into real crash mode. The only effective medication approach that we have to date, as it pertains to methamphetamine, is to use some low-dose antidepressants in the early acute phase of withdrawal to try and balance out some of that.

Senator CONRAD. Offset that.

Ms. LARSON. Right.

Senator CONRAD. I see. Do you give them serotonin?

Ms. LARSON. Well, unfortunately, we don't have the ability to give them those chemicals to replace those chemicals. They are naturally occurring in the brain function and right now there's a tremendous amount of research underway for pharmaceutical kinds of supports to all kinds of addictions but for methamphetamine, unfortunately, there isn't anything in particular yet in replacement.

Senator CONRAD. So it is only antidepressants or something that can in some way tamp down that?

Ms. LARSON. Right.

Senator CONRAD. OK. I wanted to ask you both what is the single most important thing the Federal Government can or should do in terms of treatment, because that is basically what this hearing is about. My colleagues on the Budget Committee, their responsibility is to divvy up the pie. Where are the resources going to go? What is the message that we need to deliver to them about what the Federal Government could or should be doing on this front?

Ms. LARSON. Well, there is always the need for more funding for adequate treatment, and by that I mean that we have to get away from this—I like to say that what we've haveten into in terms of treatment for this disease is that we are treating a long-term chronic disease as though it's an episodic acute event.

And so we need to actually do some work in understanding the number of people who need the longest length of treatment and then perhaps less treatment using the principles, using the understanding of symptomatology, using the findings of Project Match, which is the longitudinal study on outcome versus types of treatment, but then we also need to, I think, very, very seriously address in the Substance Abuse Prevention and Treatment Block Grant whether there is adequate funding for treatment and whether some of what is seen as not the demonstration project treatment does need to be diverted into the more long-term funding for States.

Most people, especially with methamphetamine addition, lack any kind of resource to be able to pay for that treatment. Some people do have private insurance. Most of that is limited in the length of stay that is often needed.

So we need to be sure that there are enough funds that allow the kinds of treatment that will ensure the best outcomes in the long run. We have to—I think that if we were able to provide long enough treatment and treatment involvement, even if it is almost a once-a-week drop-in after six, seven, 8 months of treatment for the person who is making good progress, that in the long run we would see a reduction in overall costs to the system than it is costing us to provide that kind of treatment.

Senator CONRAD. So the notion is that you get somebody and you have an acute treatment and then they emerge and it is over, you are done with them, that is just the wrong model?

Ms. LARSON. It is.

Senator CONRAD. What you are saying is, yes, you have to treat them acutely, but then you have to followup and that may be a very long life enterprise.

Ms. LARSON. And, Senator Conrad, I think that one thing that I would very much like to see and it didn't happen while I was working in the division but was beginning to be talked about. I think we see some of it emerging in the—in the Robinson Recovery Center is the funding of something called therapeutic community.

And therapeutic community is really a residential approach to treatment that does take the person to the point of self-sufficiency where they are working as they are involved in treatment, and I know ShareHouse has done some of that approach for quite some time but it, really embraces the person to learn how to live normally without drugs or alcohol. I would like to see us be able to have funding for more of that.

Senator CONRAD. OK. Karin Walton, what would you say is the single most important thing the Federal Government can or should be doing with respect to treatment?

Ms. WALTON. Funding is always the key answer to that and, you know, in the area of prevention, which I'm testifying in support for today, it's usually the lowest funded area. At the same time, you cannot measure prevention alone. We can only measure how it impacts enforcement and treatment, and as those numbers go up and down, then we're looking at whatever prevention efforts have helped to impact that.

You know, I believe a strong State infrastructure will equal Federal funding. North Dakota has not received Federal funding from

several grants, Expansion Grants, Access to Treatment Grants, the Statewide Initiative Prevention Framework Grant, and we're talking millions of dollars. There is also one other one that I can't—I'm not recalling.

Ms. LARSON. Methamphetamine Grant.

Ms. WALTON. Methamphetamine Grant that we have not received funding, you know, despite some of the statistics that we have compared to—to national. And when we look at the funding that is cut for law enforcement and treatment, that's going to impact the entire realm of prevention as well, so I think it's very important.

Senator CONRAD. Let me just tell you that that map tells a big part of the story in terms of funding. I tell you, you know, we started this methamphetamine, antimethamphetamine, caucus and it was really striking. We have almost a totally different reality. I come home. The thing that people talk to me about, threat of methamphetamine.

My colleagues from those States that are in gray and the light brown it is just almost not on their horizon. It is not on their experience. It is not what people are talking to them about, and we have these discussions and debates on a number of committees, both the Appropriations Committee and the Budget Committee, and our colleagues from the East almost thought it is a made-up deal, you know. That was kind of their reaction. That this is just a way of funnelling funding to more rural parts of the country. That's kind of the way they looked at it.

You know, they do not hear anything about methamphetamine. What are you talking about? So that is why this hearing is important, and I think it also very important this message that treatment and prevention are a very important part of this overall effort. In fact, ultimately I have now concluded we are not going to be successful only focusing on law enforcement prosecution.

If we do not treat these people over time and treat them successfully, this problem is not going away. It is not even going to be dramatically decreased because this is such a vicious, vicious drug. And prevention, if ever there was a case an ounce of prevention is worth a pound of cure, this is probably it.

Somehow we have to get the message out to people do not even try this stuff for God's sake. It is so destructive. It is so damaging, and you may not only take yourself down, you may take your family down and you may take your children down.

You know, I just had somebody a week ago come to my office in Washington, and he was involved in education in North Dakota, and he said I am seeing something that is so alarming because I am seeing women with children increasingly go to meth, and whether it is from boredom or what is causing people to try it I do not know, but he said it really is alarming and the people get on this stuff and they quit taking care of their kids.

Now, that is serious, serious business, and, you know, in my experience there is almost nothing more powerful than a mother's attachment to her children. You know, that is deep in the genetic code, and it tells you something about the really horrible affect of this drug when a mother would abandon her children.

So this is something we have to get across to people. For God's sake don't take this stuff, don't try it, and that's just something we have to as a society try to send a very clear signal on.

Again I appreciate very much your taking the time to provide testimony to the committee. With that we'll adjourn the hearing of the Senate Budget Committee.

[Whereupon, at 4:37 p.m. the committee was adjourned.]

SENATE BUDGET COMMITTEE PUBLIC HEARING REGARDING BUDGET IMPLICATIONS OF MEETING VETERANS' HEALTH CARE NEEDS

THURSDAY, JUNE 1, 2006

U. S. SENATE,
COMMITTEE ON THE BUDGET,
Fargo, North Dakota

The public hearing was held at 2:30 p.m. at North Dakota State University in the Prairie Rose Room.

Present: Senator Kent Conrad, Bob Hanson, Warren Tobin, Sebastian Roll, John Hanson, Wally Buckingham, Dan Stenvold, and James Mueller.

Staff present: Jim Esquea.

OPENING STATEMENT SENATOR KENT CONRAD

SENATOR CONRAD. Let me bring this hearing before the Senate Budget Committee to order. Let me thank all of you for being here. Let me thank the witnesses in advance for their testimony here today, and let me indicate that I believe this hearing is critically important to lay on the formal record once again the justification for the funding needs for our nation's veterans.

All of us know there has been over the last 12 months some significant controversy with regard to especially veterans' health care and the proper and appropriate funding level. I deeply regret that within the other body what has always been the case was not permitted this year. And that is, the testimony of some of our most respected veterans' organizations on the question of what the needs were of their membership.

I see that as a significant breach, and I hope in some small part that this meeting, this hearing, will once again indicate the profound respect we have for our nation's veterans in the Congress of the United States and that we are taking very seriously the recommendations of those groups who once again have provided an independent budget, one that is an objective assessment of the needs of our veterans. Not one driven by any political agenda but one that is based on need. That I think is critically important to remember.

Last night I had the privilege, along with General Haugen, of presenting Woodrow Wilson Keeble's family with the medals that he earned in the Second World War and in Korea. He was in Guadalcanal. He was in some of the fiercest battles, including the last major offensive in the Korean War.

He is the most heavily decorated North Dakota veteran. He is somebody that won the Silver Star, two Bronze Stars, four Purple

Hearts, the Distinguished Service Cross. He is truly a remarkable man.

In one confrontation, he personally took out four machine gun men and then proceeded to take out seven other enemy combatants all in one engagement. He is now under consideration for the Medal of Honor, and I was able to announce last night that the Secretary of the Army yesterday has recommended that he receive the Medal of Honor. That, of course, is this nation's highest military award.

North Dakota has a very proud tradition of service. North Dakota has produced ten Medal of Honor award winners, more than any other State with the exception of New York, and in truth one of New York's should have been one of ours, Teddy Roosevelt, who if anybody was able to ask him he would tell you his life and experience in North Dakota is what contributed to his conduct on the battlefield.

So we have a proud tradition and it goes beyond medal of award winners. Today, North Dakota ranks No. 1 in National Guard membership per capita and at various times has ranked No. 1 in per capita National Guard mobilization during the wars in Iraq and Afghanistan. And with all of these men and women in harm's way, we have had many, too many, make the ultimate sacrifice.

Tonight I will be at a memorial service for a young man who paid the ultimate sacrifice in Iraq. Tomorrow there will be a funeral here in Fargo. So we ask much of our men and women in uniform and it is our duty to provide them with the proper training, knowledge, equipment, and ultimately the health care that they have been promised.

Let me join veterans in expressing deep concern over the news just this past week as we learned that personal data, names, dates of birth, Social Security numbers, of millions of veterans were comprised by our own Federal Government. USA Today headlines tells it all: Data on 26.5 million veterans stolen. Now veterans will be saddled with the extra burden of monitoring their bank accounts and credit cards to make certain someone hasn't stolen their identity.

USA TODAY

Tuesday, May 23, 2006

VA: Data on 26.5M veterans stolen

Everyone discharged since '75 is warned

By Tom Vanden Brook
USA TODAY

WASHINGTON — The federal government is warning every living veteran discharged since 1975 to watch banking and credit card statements closely after sensitive personal data on all 26.5 million of them was stolen this month.

Monday, Veterans Affairs Secretary Jim Nicholson acknowledged the information was stolen from the home of a department analyst who wasn't authorized to remove it from the office.

Privacy experts say the theft is one of the largest breaches of identity security ever. The stolen data include Social Security numbers and birth dates. Information on some veterans' spouses was also compromised.

The information could be used to open fraudulent credit card accounts without the veterans' knowledge, said Susanna Montezemolo, a policy analyst with the Consumers Union.

"The Social Security number is the master key to your financial well-being," she said.

Nicholson said the analyst took the data home to work on a project. He offered few details because of the ongoing investigation. He didn't name the analyst, say where the employee lived or what form the data were in. The analyst has been put on leave.

The data also include information on veterans who filed claims before 1975, said Matthew Burns, a Veterans Affairs spokesman.

Though he said veterans should closely watch their financial statements for unauthorized transactions, Nicholson said there were no signs criminals have used the data. He said the burglary seemed random.

Veterans groups were outraged.

"It's an absolute disgrace that the agency put together to assist veterans has done this," said Bob Wallace, executive director for the Veterans of Foreign Wars. "This could ruin some vets' lives."

If you're a vet

Veterans with concerns about the stolen information can call 1-800-FED-INFO or visit www.firstgov.gov or www.va.gov

The Department of Veterans Affairs failed in assuring that this sensitive data was protected. I find this regrettable and those who are responsible should be held to account.

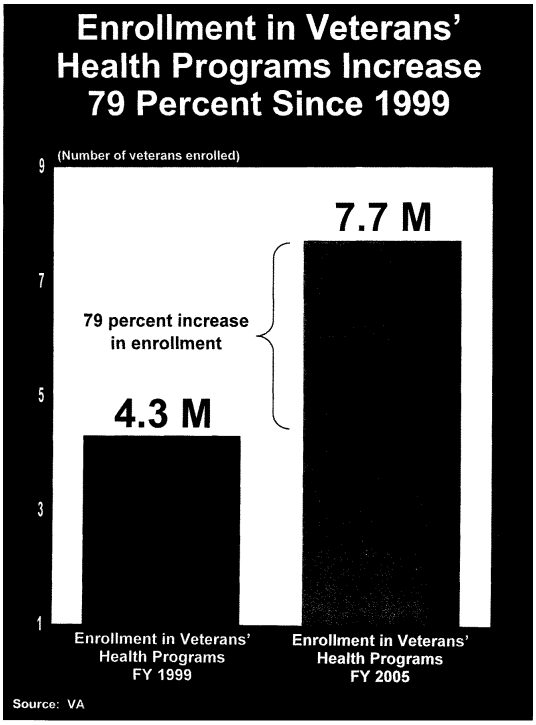
We must also ensure proper funding for veterans health programs. Let's go to that second slide, Jim.

Since 1999, enrollment in veterans' health care programs has increased 79 percent. Let me say that again because I think this is lost on some of my colleagues and they must understand. Enrollment in veterans' programs has increased by 79 percent. So one of my colleagues said, well, funding is up substantially. Yes, funding is up but funding is not up as rapidly as enrollment is up and not up as rapidly as demand for resources is up.

This is the critically important point that needs to be explained and that is one reason we are holding this hearing today to make on the record, and let me once again indicate this is a formal hearing before the Senate Budget Committee and this becomes a part of the official record.

In 1999, as this chart shows, 4.3 million veterans signed up for health benefits. That number jumped to 7.7 million last year. The

veterans who seek care from the VA are aging, have lower incomes, and require more complex medical care. On average a veteran who receives health care from the VA will use the VA system ten times over the course of a year.



Let's go to the third chart if we could, Jim.

More veterans not only need medical care but they generally have a tough time making ends meet. I am strongly opposed to proposals in the administration's budget concerning veterans' health care.

The budget proposed to cut veterans discretionary funding by 10 billion dollars over 5 years.

Two, to impose a $250 enrollment fee on Priority 7 and 8 veterans, resulting in VA treating 200,000 fewer veterans. Let me just say when veterans signed up, when they came into the service, nobody said to them there were going to be different categories. Nobody said to them some would get treated one way and some would get treated a different way. That was not the promise that was made, and we have an obligation to keep the promise and the promises that were made.

No. 3, the administration to propose increasing the drug co-payments from $8 to $15 for Priority 7 and 8 veterans.

And, fourth, to suspend enrollment of new Priority 8 veterans into the VA health care system altogether.

Veterans' Proposals in Bush FY 2007 Budget

- Cut veterans' discretionary funding by $10 billion over five years
- Impose $250 enrollment fee on Priority 7 and 8 veterans, resulting in VA treating 200,000 fewer veterans
- Increase drug co-payments from $8 to $15 for Priority 7 and 8 veterans
- Continue to suspend enrollment of new Priority 8 veterans into the VA health care system

Those were the proposals we received from the administration. The administration has pursued spending and tax policies that have now put us at record levels of deficit and debt. Because of these deficits, the Congress is under tremendous pressure to make substantial cuts in spending, but funding cuts in veterans programs are a bad idea.

Let's go to the fourth chart if we could.

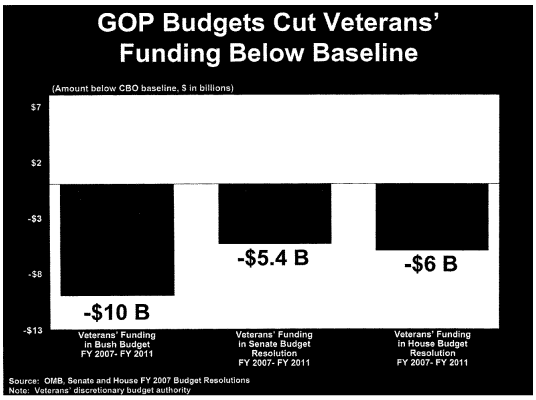
In North Dakota, there are special challenges to providing the best possible medical care to veterans. Some of these issues include limited availability of specialized care, long distances to reach care centers.

Fifty percent of our State's vets live over 100 miles from the nearest city-based center. You know, this is different than in more urban parts of the country and those differences have to be recognized and respected.

Issues of Concern for North Dakota Veterans

- Limited availability of specialized care
- Long distances to reach care centers (50 percent of state's vets live over 100 miles from nearest city-based center)

Let us go to the fifth chart if we could, Jim.



There is good news. Here is a list of just some of the accomplishments we have achieved in Washington for our veterans here in North Dakota.

$12 million to improve the Fargo VA Medical Center. This has been a special passion of mine. Ever since my Uncle Curry was in the VA Medical Center here and I visited him on one very hot July day and it was over 100 degrees on his ward, and I thought to myself if I was ever in a position to somehow improve this condition I would do everything I could to change it.

1.6 million dollars to fund transitional housing for homeless veterans and five new outpatient clinics for veterans that are completed or in development. And those five are in Williston, Dickinson, Jamestown, Devils Lake, and Grand Forks.

The commitment that we have from the VA now is that three of these clinics will be open before the end of this year. I am delighted by that. This has also been a long-term project.

Recent Accomplishments for North Dakota Veterans

- $12 million to improve Fargo VA Medical Center
- $1.6 million grant to fund transitional housing for homeless veterans
- Five new outpatient clinics for veterans will open by end of next year in Williston, Dickinson, Jamestown, Devils Lake, and Grand Forks AFB

I look forward to the testimony of the witnesses here today. Among the issues I hope you will address are what are the biggest challenges you see in providing North Dakota veterans access to timely and quality medical care and given our budget constraints what should the priorities be?

Thank you all for being here. Again I want to emphasis this is a formal hearing under the rules of the U.S. Senate and so the rules that are applied in Washington will apply here. That is we request that nobody indicate either their agreement or disagreement with any statement of the witnesses. The witnesses should feel completely unencumbered and feel that they have the absolute right to express themselves fully and honestly without fear of retaliation.

I thank again the witnesses for being here. I am going to turn to our first panel and, Bob Hanson, thank you so much for being here. I appreciate very much you have taken the time to participate. This is important to us that we have the very best record that we can construct here today because it will be based on this record

that we are able to meet the complaints of some who have said we should reduce the funding that we have proposed.

With that, Commissioner Bob Hanson, the Commissioner of Veterans Affairs for North Dakota. Welcome.

MR. HANSON. Thank you, Senator, and it's certainly an honor to be here and share ideas, concerns, and perhaps some of the solutions.

I think your hearing here today is just another example of what we in North Dakota have come to expect from you because of your continued concern for the welfare of our veterans. And on behalf of the State's nearly 60,000 veterans and their families, we appreciate it.

The VA's mission, as I've been told, is to care for the veteran and their family, and the proposed budget for veterans' health care and associated needs does not, as it appears to me, live up to the VA's mission. However, it is somewhat of an improvement over past budgets.

First, let me make it clear on the record that the Fargo VA's Medical and Regional Centers, benefits centers, are two of the finest, most caring, concerned, and efficient VA entities in the entire United States.

They truly care for the veterans and the veterans especially who utilize the Fargo system. I have the highest respect for the staffs here and the work they do.

The concerns that I will express today are not associated in any manner with staff at the Fargo VA Regional facilities, but they are directed toward issues and policies, not individuals, and especially not the Fargo VA.

My concerns basically are seven areas, mandatory funding, access for health care for veterans in rural States, cooperative agreements/veterans convenience, eligibility for care, and providing the necessary care with the best professionals in the field and comfortably reimbursing veterans for their travel costs.

Now, I fully realize that many of the issues I'm bringing forward will not be funded at this go-around and but we hope something will happen in the future.

First of all, mandatory funding. I don't think there's a veteran in this country who wouldn't agree that this is probably the top priority that needs to be addressed. Caring for the health care needs of our veterans is, in my mind, the cost of war. A cost of war which will continue until such time as there are no longer any more veterans. It's a price we as a nation pay for peace and it must be treated as such.

Some of us are allowed through the door, while others are shut out. Mandatory funding of health care for all veterans, for all veterans, is necessary and I am hoping it will be a priority concern of Congress and the administration regarding Veterans. But, above all, the reason for it is because it is the right and proper thing to do.

Access is my second concern. It's no secret that veterans in rural States do not have the access to VA health care as those in more populated States. The VA is addressing this issue through the use of community-based outreach clinics and outreach clinics, and thanks to you and the other members of our delegation North Da-

kota veterans will have access to three new outreach clinics opening in three different geographical areas in our State by the end of this fiscal year, two more, like you said, coming on board by the end of next fiscal year.

And we appreciate the work that VISN 23 has done and the Fargo VA individuals have done for helping this come to fruition. However, it's still common for veterans to travel 300 miles or more, one way, to receive care at the Fargo VA, which leads me to my next concern.

That's cooperative agreements and veterans' convenience. As primary care is becoming more accessible in our State, we must seek the same for specialty care.

I'm at a loss to understand why a North Dakota veteran must travel hundreds and even thousands of miles to receive VA care when the same care is available in their local community at a good facility, health care facility, there or at a nearby community.

For example, I was told of a cardiac patient who went to the emergency room in a western North Dakota hospital, a well-known hospital. He was admitted to the emergency room and was then required to be transferred to a VA hospital over 1,260 miles away in St. Louis, which is because that was the closest VA bed available. That is not looking out and caring for the veteran or his family.

Another example I was told about involved a veteran from central North Dakota who was sent to the Minneapolis VA to have one of his knees x-rayed. Now, why do we send someone to Minneapolis?

Another example is a good friend of many of ours, an Agent Orange victim, had cancer in Minot, was required to come to Fargo for his treatment virtually every week while the same care could have been given in Minot. Life is precious and the time that one has left when you know that you don't have a lot of time shouldn't be spent having to mess with government bureaucracy and I think we can do better.

I would encourage the establishment of more cooperative agreements with medical facilities throughout the State so a veteran would not have to travel great distances to receive the care to which they have earned and to which they are entitled.

I would encourage a review of the current reimbursement rate of 11 cents per mile but, you know, that's not really true either because there's a $3 deduct for each way.

My next issue that I have concerns about is eligibility for care. I don't believe access to VA health care benefits should be selectively applied to veterans. Veterans, for example, in our State veterans' home are denied access to any VA health care, primary VA health care, or prescriptions simply because they are a resident of a veterans' home.

It's also my belief all Category 8 and all of the categories, all 8 categories of veterans, should not only be eligible for VA health care benefits but also should receive VA health care benefits if they so desire. The inclusion of these veterans for VA health care benefits is only fair.

The next one is providing necessary care using the best in their selected field. Every war is different, including the current one. The traumas suffered by our current service members, both phys-

ical and mental, are going to have long-lasting effects, which in some cases will never be cured. We must commit to providing these individuals with the best professional, most compassionate, and easily accessible care available. We need a strong commitment, funding commitment, for our Vet Centers program.

Our North Dakota Vet Centers are doing an excellent job of helping our veterans in need with the resources they have. Our mental health units need to be adequately staffed to provide veterans with timely access and care.

The VA should be funded at a level allowing the continual development of, and allowing for, the kind of adaptive equipment and vehicles which meets the needs and desires of our younger veterans. The prosthetics and sensory aids services and rehabilitation services at our Fargo VA are outstanding in assisting the veterans, but it is important we do all in our power to stop the growth of homeless veterans as well.

One of our goals as a nation should be nothing less than to make sure no veteran shall ever go homeless. Our Fargo VA has an outstanding Homeless Veteran Program with a committed staff second to none.

Believe it or not, I understand my proposals will cost some money, lots of money. However, the commitments that have been made by our nation's veterans deserve no less, and we all need to look to the future for the possibilities to meet their needs.

The independent budget has been forthright and pretty much on target. The preparers of these budgets have worn, or are wearing, the uniform of our nation's armed forces, and I encourage you and your colleagues to listen closely to those who prepare this budget. These individuals know firsthand the needs of our nation's veterans.

The last issue I feel must be addressed by Congress is the identity theft problem. News released today stated the stolen data also included, in many cases, phone numbers and addresses. This serious security breach needs to be handled in a swift, responsible manner in the best interests of the veteran. As of now supposedly, supposedly, no medical records were compromised. I'm hoping that this is true and that measures have been and are being taken, if not already in place, to keep the same type of theft from occurring.

The veterans have fulfilled their commitment. It's now time for the United States of America to fulfill their own commitment. I would like to end my presentation with this veteran's quote that I came across recently. "The military taught me how to kill. But not how to forget." We must not forget our veterans. Thank you.

[The prepared statement of Mr. Bob Hanson follows:]

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BOB HANSON
COMMISSIONER

CATHY HALGUNSETH
ADMINISTRATIVE ASSISTANT

STATEMENT
Bob Hanson, Commissioner
North Dakota Department of Veterans' Affairs
US Senate Budget Committee Hearing
Budget Implications of Meeting Veterans' Health Care Needs
Fargo, ND
June 1, 2006

Senator Conrad, I am Bob Hanson, Commissioner of the North Dakota Department of Veterans' Affairs. I am honored to have been asked share my thoughts, concerns and ideas at this Budget Implications of Meeting Veterans' Health Care Needs hearing with you and the members of the United States Senate Budget Committee.

Your holding this hearing in North Dakota today, once again exemplifies your continued concern for the welfare of our veterans. On behalf of the state's nearly 60,000 veterans and their families we appreciate it, we thank you.

The VA's mission, I have been told, is to care for the veteran and their family. The proposed budget for veterans' healthcare and associated needs does not appear to me to fully live up to the VA's mission. However, this is an improvement over past budgets.

First, let me note for the record, the Fargo VA's Medical and Regional Benefits Centers are two of the finest, most caring, concerned, efficient VA entities in the entire United States. They truly care for the veterans who utilize the Fargo VA. I have the highest respect for the staffs here and the work they do. The concerns I will express today are not associated in any manner with staff at the Fargo VA Regional facilities. My comments are directed towards issues and policies, not individuals, and especially not the Fargo VA facilities.

My concerns center, basically, around mandatory funding, access for healthcare for veterans in rural states, cooperative agreements, veteran's convenience, eligibility for care, providing the necessary care with the best professionals in their field and adequately reimbursing veterans for their travel costs. I realize many of the issues I am bringing forward won't be able to be implemented now, but perhaps they can be in the future.

MANDATORY FUNDING: I agree with those who believe the VA is neither properly nor adequately funded. Caring for the healthcare needs of our veterans is, in my mind, a cost of war. A cost of war which will continue until such time as there are no longer any more veterans. It's the price we, as a nation, pay for peace. It must be treated as such. Some of us are allowed through the door, while others are shut out. Mandatory funding of healthcare for all veterans is necessary. I am hoping it will be the primary priority of Congress and the Administration regarding veterans. But, above all, it is the right and proper thing to do.

ACCESS: It is no secret veterans in rural states do not have the access to VA healthcare as those in more populated states have. The VA is addressing this issue through the use of Community Based Outreach Clinics and Outreach Clinics. Thanks to you and the members of our Congressional delegation North Dakota veterans will have access to 3 new Outreach Clinics opening in 3 different geographical areas of the state by the end of this fiscal year, with another 2 to be opened by the end of next fiscal year. We also appreciate the work done by VISN 23 and Fargo VA individuals for helping this come to fruition. However, it is still common for veterans to travel over 300 miles, one way, to receive care at the Fargo VA.

COOPERATIVE AGREEMENTS/VETERANS CONVENIENCE: As primary care is becoming more accessible in North Dakota, we must seek the same for specialty care. I am at a loss to understand why a veteran must travel hundreds, even thousands of miles, to receive VA care when the same care is available in their own local community or a community close to the veteran. For example, I was told of a cardiac patient, a veteran, who was admitted to the emergency room in a well respected western North Dakota hospital and was then required to be transferred to a VA hospital over 1260 miles away in St. Louis, Missouri, as it was the closest VA bed available. This is not my idea of caring for either the veteran or his family. Another example I was told about involved a veteran from central North Dakota who was sent to the Minneapolis VA to have one of his knees x-rayed. I would encourage the establishment of more cooperative agreements with medical facilities throughout a state so a veteran would not have to travel great distances to receive the care which they have earned and to which they are entitled. I would encourage a review of the current reimbursement rate of $.11 per mile, with a $3 deduct each way.

ELIGIBILITY FOR CARE: I don't believe access to VA healthcare benefits should be selectively applied to veterans. Veterans in our state veterans' home should not be denied access to any VA healthcare or prescription medications because they are a resident of a veterans' home. It is also my belief all 8 categories of veterans should not only be eligible for VA healthcare benefits, but also should receive VA healthcare benefits if they so desire. The inclusion of these veterans for VA healthcare benefits is only fair.

PROVIDING NECESSARY CARE USING BEST IN THEIR FIELD: Every war is different, including the current one. The traumas suffered by our current service members, both physical and mental, are going to have long lasting effects, which, in some cases, will never be cured. We must commit to providing these individuals with the best professional, most compassionate and easily accessible care available. I would encourage a strong funding commitment for our Vet Centers program; our North Dakota Vet Centers are doing an excellent job of helping our veterans in need with the resources they have. Our mental health units need to be adequately staffed to provide veterans with timely access and care.

The VA should be funded at a level allowing the continual development of, and allowing for, the kind of adaptive equipment and vehicles which meet the needs and desires of the younger veteran who has been use to an athletic, outdoors type of life. The prosthetics and sensory aids services and the rehabilitation division at the Fargo VA are outstanding in assisting veterans with these needs. It is important we do all in our power to help stop the growth of homeless veterans. One of our goals, as a nation, should be nothing less than to make sure no veteran shall ever go homeless. The Fargo VA has an outstanding Homeless Veteran Program with a committed staff second to none.

I understand my proposals would cost money, lots of money. However, the commitment made by our nation's veterans deserves no less and we all need to look to the future for possibilities to meet their needs.

In conclusion, the Independent Budgets have been forthright and pretty much on target. The preparers of these budgets have worn, or are wearing the uniform of our nation's armed forces. I encourage you and your colleagues to listen closely to those who prepare this budget. They know first-hand the needs of our nation's veterans.

The last issue I feel must be addressed by Congress is the Identity Theft problem. News released today stated the stolen data also included, in many cases, phone numbers and addresses. This serious security breach needs to be handled in a swift, responsible manner in the best interests of the veteran. As of now, supposedly, no medical records were compromised. Hopefully this is true and that measures have been, and are being taken, if not already in place, to keep the same type of theft from occurring.

The veterans have fulfilled their commitment. It's now time for the United States of America to fulfill their commitment. I would like to end my presentation with this veteran's quote I came across recently, "The military taught me how to kill. But not how to forget." We must not forget our veterans.

Thank you.

SENATOR CONRAD. Thank you, Commissioner Hanson, for that very compelling and important testimony, and I thank you for providing it to the Senate Budget Committee.

Warren Tobin, the outgoing Department Commander of the Disabled American Veterans and the Stutsman County Veterans Service Officer is also here to testify.

Warren, thank you so much for taking the time to come here.

I want to again emphasis to people who are here that this becomes part of the formal record of the Senate Budget Committee and will be used in the discussions and the debate that will follow, both in the conference committees of the budget and in the floor debate on the question of the appropriate level of funding and the priorities for that funding, so this testimony here today has a critical importance.

It assumes an even greater importance because of the unfortunate circumstances where very respected organizations, veterans' organizations, were prohibited and prevented from testifying in what I deeply regret occurred in the other body, but we're having

a chance here for those veterans' organizations to be heard and to lay on the record the vital needs of our veterans.

Warren, thank you for being here.

MR. TOBIN. Thank you very much, Senator, Mr. Chairman, and Members of the Committee.

On behalf of Disabled American Veterans, DAV, Department of North Dakota, I wish to express my deepest appreciation for the opportunity to present testimony for this committee's hearing on the budget implications of meeting veterans' health care needs.

Mr. Chairman, I understand my written testimony is already available for record, and with your concurrence I would like to present oral testimony to amplify the written record.

SENATOR CONRAD. Without objection Mr. Tobin. As history has demonstrated, the discretionary funding of VA programs, primarily in the health care arena, has resulted in shortfalls. Over the years, policymakers have instituted "temporary" measures to help in reducing areas where the health care is underfunded.

For example, a few years ago, temporary co-payments for medical appointments and prescriptions were instituted to help pay for the cost of VA medical care.

These so-called temporary measures have obtained a permanent status and, approximately, 3 years ago these payments were increased due to the increasing costs of providing for health care.

Even with increased payments from sick and disabled veterans, funding needed over the years has not kept pace with medical inflation, let alone the increased demand for services as your chart indicated.

The enrollment for VA medical care increased 161 percent between fiscal years 1996 and 2005. Funding, however, only increased 34 percent during that same period when adjusted to 1996 dollars.

My home county in Stutsman County is no exception. In 2000, the VA spent approximately 1.6 million for medical care and in 2004 expenditures were a little over 2.1 million dollars. This is an increase of 32 percent in the 4-year period for which the data is available and not enough to cover the increased demand for services and the medical inflation.

Last year, the administration submitted an amendment to its fiscal year 2006 budget request to address an additional 1.9 billion funding shortfall. As depicted by this funding amendment, the areas requiring additional funding reveal fundamental changes in both the practice of medicine and the age of the veteran population seeking health care from the VA.

Such changes must be addressed by Congress and the VA to ensure, among other things, the best stewardship of our taxpayer dollars, the maintenance of the VA's high quality of medical care, the provision of that medical care be provided in a timely manner, and the accessibility to that care by sick and disabled veterans.

Access to VA medical care is a primary concern to North Dakota veterans and many veterans across the country. As a County Veterans Service Officer, an important duty I have is to assist veterans in obtaining access to the VA medical and health care.

I'm a coordinator for our Jamestown DAV van, which is a portion of the DAV Transportation Network, and I'm occasionally a volun-

teer van driver. I'm extremely—I'm extremely proud of North Dakota's DAV transportation program. Last year, our State's volunteers spent 10,238 hours driving 2,528 veterans across 255,608 miles. Our program ranked second only to New Mexico averaging 101 miles driven per veteran served.

I would like to take this opportunity to share with you just a few examples of transportation and access, which will help you understand the importance of this issue. We are anticipating the opening of an outreach clinic in three communities this year. These clinics would provide primary and mental health care to our historically underserved veteran population in a more efficient and effective manner.

The veterans in my area are eagerly anticipating the opening of a Jamestown outreach clinic. This clinic will help veterans in my local area with primary care needs.

However, we are concerned that no decision has been made regarding inpatient services when VA is well aware that 63 percent of the over 55,000 North Dakota veterans far exceed the 60-mile driving distance to Fargo VA Medical Center. Furthermore, 68 percent must drive 120 miles or more to receive tertiary care.

We still anticipate having many veterans traveling to specialty care clinics at the Fargo VA Medical Center and throughout the VA network. One of my colleagues in the northwestern portion of the State tells me that there is a veteran who must travel from his home to Iowa City, Iowa, for neurological treatment. That is a distance of approximately 1,000 miles one way.

I would add to that example the circumstances surrounding the travel of two of my county's veterans.

Both of these veterans frequently need treatment at the St. Paul VA Medical Center for service-connected conditions, and I think Mr. Hanson mentioned my first one, and that individual, that veteran, is employed full time and for a 15-minute or 30-minute appointment must take a day of sick leave from his job.

On one occasion, he took a day of sick leave and drove 700 miles round trip for an x-ray of his knee. No other activity that day was either needed or required or scheduled.

In the second instance, the veteran has extreme difficulty walking and his vision is impaired. For him an appointment at the VA St. Paul Medical Center requires two bus tickets, one for himself and one for his seeing companion, a 10-hour bus ride each way and at least 2 days away from home. By the way, this gentleman is 82 years old and this is quite a hardship on him.

Recognizing that VA medical facilities are unable to provide specific treatment and cannot provide treatment economically due to geographic inaccessibility, current law allows certain veteran patients to be authorized to receive treatment from non-VA health care providers at VA expense.

Specifically, current law limits the VA in contracting for private health care services to instances where the VA facilities are incapable of providing necessary care for veterans, when VA facilities are geographically inaccessible to a veteran for necessary care, where medical emergency prevents a veteran from receiving care in a VA facility, to complete an episode of VA care, and for certain specialty examinations to assist the VA in adjudicating disability claims. The

VA also has authority to contract for services in VA facilities for scarce medical specialists.

Beyond these limits, there's no general authority in the law to support any broad contracting for populations of veterans. The judicious use of fee basis privileges is what I'm talking about is one method to improve access to specialty and tertiary care.

In recent years, we have seen a trend to limit the issuance of fee basis cards, privilege cards, to recall cards from disabled veterans that have already been issued and to deny the bills for care for authorized users at the Fargo VA Medical Center.

I was not given the specific figures on that, but I was told by my fellow Stutsman Service Officers and we know of several hundreds of cases of this happening in the last two or 3 years.

The DAV's position on contracted or fee-based careis well-known. The DAV believes that the best course for most enrolled veterans in VA health care is through the continuity of care in facilities under the direct jurisdiction of the Secretary of Veterans Affairs.

For the past 25 years or more, our organization has consistently opposed a series of proposals seeking to contract out or to privatize VA health care to non-VA providers on a broad basis. Ultimately, these ideas were rejected by Congress.

We believe such proposals ostensibly seeking to expand VA health services into broader areas serving additional veteran populations at less cost, or providing health care vouchers enabling veterans to choose private providers in lieu of VA programs, in the end will only dilute the quality and quantity of VA services for all veteran patients.

We believe the VA contract care for eligible veterans should be used judiciously and only in specific circumstances so as not to endanger VA facilities' ability to maintain a full range of specialized inpatient services for all enrolled veterans, particularly while the VA is operating in a resource constrained environment.

We further believe that the VA must maintain a critical mass of capital, human, and technical resources to promote effective, high-quality care for veterans, especially those disabled in military service and those with highly sophisticated health problems, such as blindness, amputations, spinal cord injury, or chronic mental health problems.

In closing, the members of the DAV of North Dakota sincerely appreciate the committee for holding this hearing and for its interest in improving benefits and services to our nation's veterans. We deeply value the advocacy this committee has demonstrated on behalf of America's service-connected disabled veterans and for their families.

This concludes my testimony and I would be happy to answer any questions you may have.

[The prepared statement of Warren Tobin follows:]

STATEMENT OF
WARREN TOBIN
PAST DEPARTMENT COMMANDER
OF THE
DISABLED AMERICAN VETERANS
DEPARTMENT OF NORTH DAKOTA
BEFORE THE
COMMITTEE ON THE BUDGET
UNITED STATES SENATE
JUNE 1, 2006

Mr. Chairman and Members of the Committee:

On behalf of the Disabled American Veterans (DAV) Department of North Dakota, I wish to express my appreciation for the opportunity to present testimony for this committee's hearing on the budget implications of meeting veterans' health care needs.

DAV is determined to ensure the federal government provides full funding to the Department of Veterans Affairs (VA) to treat all veterans enrolled in the VA health care system. As you know, the VA is the largest integrated health care system in the United States and has four critical health care missions: to provide health care to veterans; to educate and train health care personnel; to conduct medical research; to serve as back up to the Department of Defense and support communities in time of emergency.

In going about its business, VA has proven it provides cost-effective, high quality, comprehensive medical care services to our nation's veterans. Yet, despite being a story of success, Congress typically provides an annual discretionary appropriation for veterans health care that falls far short of actual needs. To ensure health care programs and services are readily accessible for veterans, funding needed over the years has not kept pace with medical inflation, let alone the increased demand for services. The enrollment for VA medical care increased 161 percent between fiscal years 1996 and 2005; funding however, only increased 34 percent during the same period when adjusted to 1996 dollars.

This untenable situation began to slowly give way when in January 2003, the VA Secretary suspended the enrollment of Priority 8 veterans initially as a "temporary" measure. However, VA planning documents now do not assume that Priority 8 veterans will ever be permitted to enroll in the system endangering the "critical mass" VA medical providers need to maintain the quality of care they provide. To the surprise of Congress on July 14, 2005, the Administration submitted an amendment to its FY 2006 budget request to address a $1.9 billion funding shortfall. The amendment included $300 million to replenish carry-over funds to be expended in FY 2005 to cover the increase in average cost per patient; $677 million to cover an estimated additional 2 percent increase in the number of patients expected to seek care in FY 2006; $400 million increase in recognition of the expected cost of providing more costly treatment; and $600 million to

correct the estimated cost of long term care. Unfortunately, no funds were requested to eliminate the "temporary" suspension of enrollment of Priority Group 8 veterans.

As depicted by the aforementioned Administration amendment, the areas requiring additional funding reveal fundamental changes in both the practice of medicine and the age of the veteran population seeking health care from VA. Such changes must be addressed by Congress and the VA to ensure, among other things, the best stewardship of taxpayer dollars, the maintenance of VA's high quality medical care, the provision of that medical care in a timely manner, and the accessibility to that care by sick and disabled veterans.

Access to VA medical care is a primary concern to North Dakota veterans, and many veterans across the country. The DAV Transportation Network is the only way many veterans are able get to VA medical facilities for needed treatment. With fixed incomes, the cost of transportation to a VA hospital is just too high. They're left with two choices. They could go without the treatment they need, or skimp on food or other necessities to pay for transportation.

Veterans disabled in our nation's service should never face such dire options. So DAV and Auxiliary volunteers respond, driving veterans to and from VA hospitals and clinics. The DAV's transportation program provides essential transportation to and from VA health care facilities to those veterans who could not otherwise access needed medical care. Last year, DAV's National Transportation Network logged in more than 22 million miles and transported more than 613,000 veterans to VA health care facilities. The DAV North Dakota transportation program, based out of the Fargo VA Medical Center, spent 10,238 hours driving 2,528 veterans across 255,608 miles. Our program ranked second only to New Mexico averaging 101 miles driven per veteran served.

In 2005, DAV presented the VA with 119 Ford vans. This year, we will be presenting VA with 127 vans. Since 1987, the DAV has donated 1,668 vans, at a cost of $34 million. Our commitment to this program is as strong now as ever. We have vans in every state and nearly every Congressional district serving our veterans—your constituents. DAV not only advocates on behalf of our nation's veterans, but we also continue to give back to our nation and our fellow veterans.

VA's footprint in North Dakota is comprised of only one VA medical center, in Fargo, and three Community-Based Outpatient Clinics (CBOCs), in Bismarck, Grafton, and Minot. To provide greater access to quality care by eliminating underutilized infrastructure and expanding or creating new facilities where needed, VA embarked on a lengthy and difficult process known as the Capital Assets Realignment for Enhanced Services (CARES). The decision of former VA Secretary Anthony J. Principi on the CARES initiative includes more than 150 new community based outpatient clinics, five of which are to be located in North Dakota. Business plans are to be developed and submitted for approval this fiscal year 2006 for Outreach Clinics in Dickinson, Williston, and Jamestown, and in fiscal year 2007 for CBOCs in Devil's Lake and Grand Forks.

Outreach Clinics are clinics usually staffed by VA employees who travel to the site on a weekly or monthly basis.

These clinics would provide primary and mental health care to our historically underserved veteran population in a more efficient and effective manner. It would also reduce the travel burden of veterans driving in excess of 200 miles each way, while receiving care in a more convenient and timely manner, as well as improve the quality of medical care provided. We are concerned that no decision was made regarding inpatient services when VA is well aware that 63 percent of the over 55,000 North Dakota veterans far exceed the 60 mile driving distance to Fargo VAMC. Furthermore, 68 percent must drive 120 miles or more to receive tertiary care.

The VA has set priorities for capital asset projects as part of the implementation phase of the CARES process. Given the considerable amount of resources invested in this plan, it seems prudent for VA to carry out its plan in a methodical data-driven manner. Furthermore, it is up to Congress to provide the funds necessary to implement CARES. Any delay in the CARES process will cost the taxpayer more money in the long run due to the increasing amount of money these projects will need in total, and any delay jeopardizes the quality of care VA provides, which does not serve sick and disabled veterans well.

Recognizing that VA medical facilities are unable to provide specific treatment or cannot provide treatment economically due to geographic inaccessibility, current law allows certain veteran patients to be authorized to receive treatment from non-VA health care providers at VA expense. Specifically, Current law limits VA in contracting for private health care services to instances in which VA facilities are incapable of providing necessary care to a veteran; when VA facilities are geographically inaccessible to a veteran for necessary care; when medical emergency prevents a veteran from receiving care in a VA facility; to complete an episode of VA care; and, for certain specialty examinations to assist VA in adjudicating disability claims. VA also has authority to contract for the services in VA facilities of scarce medical specialists. Beyond these limits, there is no general authority in the law to support any broad contracting for populations of veterans.

VA currently spends $2 billion or more each year on contract health care services, from all sources. Unfortunately, many veterans are disengaged from the VA health care system when receiving medical services from private nonparticipating physicians at VA expense. VA has not been able to monitor this care, consider its relative costs, analyze patient care outcomes, or even establish patient satisfaction measures for most contract providers.

To address this issue, Public Law 109-114 provides for a VA demonstration project called Healthcare Effectiveness through Resource Optimization" (Project HERO), which is aimed at coordination of contract care for veterans eligible for outpatient or inpatient services at VA expense provided by private health care providers. Accordingly,

any expansion of contract or fee-based care must consider this new initiative and its relative impact on the VA healthcare system as a whole.

DAV's position on contracted or fee-based care is well known. The DAV believes the best course for most enrolled veterans in VA health care is through the continuity of care provided in facilities under the direct jurisdiction of the Secretary of Veterans Affairs. For the past twenty-five years or more, our organizations has consistently opposed a series of proposals seeking to contract out or to "privatize" VA health care to non-VA providers on a broad basis. Ultimately, these ideas were rejected by Congress. We believe such proposals—ostensibly seeking to expand VA health care services into broader areas serving additional veteran populations at less cost, or providing health care vouchers enabling veterans to choose private providers in lieu of VA programs—in the end only dilute the quality and quantity of VA services for all veteran patients.

We believe that VA contract care for eligible veterans should be used judiciously and only in specific circumstances so as not to endanger VA facilities' ability to maintain a full range of specialized inpatient services for all enrolled veterans particularly while VA is operating in a resource constrained environment. As of March 2006, there are over 29,000 veterans who have been waiting over 30 days for their first clinic appointment. Nearly half of them have been waiting for over four months. These numbers represent veterans recently enrolled in the VA health care system, and do not include veterans already in the system who are waiting for their appointment to be scheduled. Any expansion in the use of this necessary must costly tool must be met with the necessary appropriated funding above and beyond the inadequate funding level VA is currently receiving. We further believe VA must maintain a "critical mass" of capital, human, and technical resources to promote effective, high quality care for veterans, especially those disabled in military service and those with highly sophisticated health problems such as blindness, amputations, spinal cord injury or chronic mental health problems.

In closing, the members of DAV in North Dakota sincerely appreciate the Committee for holding this hearing and for its interest in improving benefits and services for our nation's veterans. We deeply value the advocacy this Committee has demonstrated on behalf of America's service-connected disabled veterans and their families. This concludes my testimony, I would be happy to answer any questions you may have.

SENATOR CONRAD. Thank you very much, Warren. I think it is very important for this to be a part of the record and I very much appreciate your taking the time to be with us today.

We are also joined on the first panel by Seb Roll, the National Vice Commander of The American Legion. Seb, I appreciate you, too, joining us and providing your testimony. Please proceed.

MR. ROLL. Thank you. Senator Conrad, it's an honor for me to appear before you to present The American Legion's view of VA health care. The American Legion has a proud tradition of advocating on behalf of America's veterans. This testimony reflects our continued commitment to ensuring VA is capable of meeting its obligations to all of America's veterans and their families.

Each generation of veterans has earned the right to timely access to quality health care and transitional programs available through the Department of Veterans Affairs. The American Legion will continue to work to ensure that VA is indeed capable of providing "care for him who shall have borne the battle for his widow and his orphan."

With young service members continuing to answer the nation's call to arms in every corner of the globe, we must now, more than ever, work together to honor these sacrifices. As veterans of Operation Enduring Freedom and Operation Iraqi Freedom return home, they are turning to VA not only for health care but also for assistance in transitioning back to the civilian world.

VA must be funded at levels that will ensure that all enrolled eligible veterans receive quality health care in a timely manner. As National Vice Commander of this great organization, I stand ready to work with you to accomplish this task.

VA budget. Recent revelations that VHA's budget requests for fiscal years 2005 and 2006 contain shortfalls in funding came as no surprise to The American Legion. After visiting VA medical facilities across the nation, we knew that the funding recommendations we presented last year more accurately matched the actual budgetary needs of the VA than the President had recommended or Congress enacted.

The American Legion thanks Congress for ensuring the emergency supplemental appropriations to cover these shortfalls so that the VHA is not forced to further ration care and delay much needed maintenance and acquisition. VA medical care must be adequately funded in order to ensure facilities are staffed, equipped, and maintained at a level that will allow all veterans to be treated in a timely manner.

The VA is now in the process of establishing outreach clinics in Jamestown, Dickinson, and Williston. While we are certainly appreciative of the efforts you and the rest of the congressional delegation have made to bring these clinics to reality, we have concerns. First and foremost is the funding mechanism. We understand that the funds to open and operate these outreach clinics will come from existing funds within the VISN.

At a time when the entire VA system is woefully underfunded, we find it disconcerting that this VISN will now have to redirect funds from its existing facilities in order to fund the outreach clinics. This is simply another example of why there needs to be mandatory funding of the VA health care system.

Proposals to improve the VA budget by charging veterans an annual enrollment fee and increased co-payments for prescription drugs is not the solution to inadequate funding. Balancing the VA budget on the backs of veterans and their families is wrong. Neither is preventing previously eligible veterans from enrolling for the VA health care the solution.

The American Legion adamantly believes that closing VA's doors to a select population of veterans is wrong. Ensuring VA is funded at levels that allow all eligible veterans to receive care is the solution. Assured funding. In an effort to provide a stable and adequate funding process, The American Legion fully supports assured funding for the veterans medical care.

Under the current discretionary funding method, VA health care funding has failed to keep pace with medical inflation and the changing needs of the veteran population.

VA has been forced to ration care by denying services to eligible veterans. VA had to forgo the modernization of many of its facili-

ties and the purchase of necessary state-of-the art medical equipment.

VA is subjected to the annual funding competition for limited discretionary resources.

Additionally, the current discretionary funding process leaves VA facility administrators without a clear plan for the future.

The American Legion strongly supports legislation that would establish a system of capitation-based funding for the VHA.

Annual funding would be without fiscal year limitations, meaning that any savings VHA realized in the fiscal year would be retained rather than returned to the treasury, providing VHA with incentives to develop efficiencies and creating a pool of funds for enhanced services, needed capital improvements, expanded research and development and other purposes.

The Veterans Health Care Administration is now struggling to remain its global preeminence in 21st century health care with funding methods that were developed in the 19th century. No other modern health care organization could be expected to survive under such a system. The American Legion believes that health care rationing for veterans must end. It is time to guarantee health care funding for all veterans.

Medicare reimbursement. The American Legion believes that Congress should allow VA to bill, collect, and retain third-party reimbursement from Medicare on behalf of Medicare-eligible veterans treated for allowable nonservice-connected medical conditions.

Nearly all veterans pay into Medicare for their entire working lives. However, when they are most likely to need medical services from the hospital system designed specifically for them, they must turn elsewhere because VA cannot bill Medicare. This is wrong, and it is something that Congress can and should correct.

Additionally, all third-party reimbursements, co-payments, and deductibles should be added to the budget, not counted as an offset against it as they are received by treatment of nonservice-connected medical conditions.

The American Legion firmly believes that making VA a Medicare provider and designating VA medical care as a mandatory funding item within the Federal budget would enable VA to fulfill its mission to care for those who have borne the battle.

CARES. Over the past 4 years, The American Legion has carefully followed the progress of the Capital Assets Realignment for Enhanced Services process. We have participated at each stage of the process by gathering information on VA medical centers throughout the country to make certain medical services were not ignored in an attempt to downsize the VA health care system. We did this with the help of Legionnaires at both the department and post levels who care about the quality and timeliness of medical care for veterans.

To successfully implement the CARES decision, VA has estimated that it will require an infusion of 1 billion per year for the next 6 years, with continuing substantial infrastructure investments well into the future. The CARES implementation must take into consideration the VA's role in emergency preparedness, organizational capacity for special emphasis programs like mental health, long-term care, and homeland security.

Funding for CARES construction, estimated at approximately 6 billion when plans were announced in May of 2004, has failed to be provided in the Federal budget.

The American Legion has supported CARES on three conditions. One, that veterans are included in the decisionmaking. Two, that funding be provided and, three, that the end result is better health care for veterans. The American Legion asserts that now is certainly not the time to reduce VA facility capacity when there are more than 500,000 newly discharged veterans from active duty after service in Iraq and Afghanistan. Nearly 150,000 of these new veterans have poured into the VA health care system, which led to the 1.5 billion shortfall in VA funding last year.

Increased need for PTSD services. Senator Conrad, another key issue of concern is The American Legion's dedication to ensuring that VA is capable of meeting the mental health care needs of both the current population of veterans seeking care and the new generation of veterans returning from Iraq and Afghanistan.

As the Global War on Terror continues, casualties are mounting and the ability of the Nation to take care of those who have fought bravely continues to be tested.

We must not fail. History has shown that the cost of war does not end on the battlefield. Service members do not all suffer from obvious injuries such as amputations, gunshot wounds, and other severely disabling conditions. The estimation has been as high as 30 percent of those serving in Operations Enduring Freedom and Iraqi Freedom will suffer the hidden wounds of traumatic stress and other psychiatric conditions due to combat exposure and the rigors of the battlefield.

VA's special committee on PTSD was established 20 years ago to aid Vietnam veterans diagnosed with PTSD. Since its establishment, the committee has made many recommendations to the VA on ways to improve PTSD services.

A February 2005 GAO report pointed out that the VA delayed fully implementing the recommendations of the special committee, giving rise to questions regarding the VA's capacity to treat veterans returning from military combat who may be at risk for developing PTSD while maintaining PTSD services for veterans currently receiving them.

In September 1904, GAO also reported that officials at six of seven VA medical facilities stated that they might not be able to meet an increased demand for PTSD services. Additionally, the special committee reported in its 2004 report that sufficient capacity is not available within the VA system to meet the demand of new combat veterans and still provide services to other veterans.

The additional support being provided nationwide by the Vet Centers is proving invaluable in assisting veterans. The mission of the Vet Centers is to seek out veterans suffering life readjustment problems related to their combat experience or as a result of sexual assault or harassment while on actual duty—active duty.

Vet centers serve veterans and their families with professional readjustment counseling, community education, outreach to special populations, and work with community organizations. Today, 206 Vet Centers are located in communities throughout the United States, District of Columbia, Puerto Rico, Guam, and the United

States Virgin Islands. 65 percent of the 737-member clinical staff are veterans and of those over 40 percent are combat veterans.

Vet Centers are an invaluable resource to veterans and the VA. Given the protracted nature of current combat operations, repeated deployments, and the importance of retaining experienced combat servicemen and women in an all volunteer military, it is essential to promote the readjustment of servicemen and women and their families. The American Legion continues to be an unwavering advocate for Vet Centers and their most important mission.

Over the past 3 years, the Legion's System Worth Saving Task Force has completed site visits at every VAMC. During these visits, we took special notice of mental health services provided and the ability of the facilities to balance the current demand for care along with the recently returning veterans who are now turning to VA for mental health treatment.

Like the GAO report, we found that many facilities were increasingly concerned with their ability to handle an increasing mental health workload.

Our site visits revealed a critical shortage in the funding of VA health care. A number of facilities reported having to convert capital improvement dollars to health care dollars in order to meet the service demands of the current veteran patient population. The shifting of these funds has resulted in the delay of needed infrastructure repairs resulting in huge maintenance backlogs at facilities.

Theft of veteran data. Frankly, Senator Conrad, it is incomprehensible that millions of veterans and their family members are now at great risk of identity theft due to the actions of the VA's employee. While this may not appear on the surface to be directly related to health care, it is.

First and foremost, we have to ask how the VA will maintain the integrity of a veteran's health care record. With the information that was stolen, a person could assume the identity of a veteran and simply secure VA health care services or, worse yet, gain access to veterans' medical treatment records.

Someone with the right information could request a copy of a veteran's VA health care record. How in the world is the VA going to know that they aren't releasing those records to someone who has stolen the veterans identity? I doubt they can and that is very disturbing.

As you know, Senator, many of our veterans suffer from some type of mental disorder, such as PTSD, STD, depression, and so forth. The theft of these records has caused them immeasurable anxiety and may never be able to be taken care of. Why in the world has nobody been fired at the VA over this? Our veterans have suffered enough already and now, because of some VA employee's negligence, they are suffering again.

Senator Conrad, this nation crossed a new threshold on September 11, 2001. American's sense of invulnerability was forever changed by a newly emerging global threat. The need for a strong, forward thinking national defense has become paramount. In the face of this new threat, the Nation once again turned to a generation of young men and women dedicated to the defense of our freedoms and liberties. With that dedication comes a national obliga-

tion to "care for him who shall have borne the battle and for his widow and his orphan."

Together we can work to ensure that a strong, forward thinking Department of Veterans Affairs will be available to provide for this new generation of veterans.

The brave men and women who are serving in our armed forces in Iraq and Afghanistan and throughout the world deserve no less. Thank you.

[The prepared statement of Sebastian Roll follows:]

The American Legion

For God and Country

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STATEMENT
OF
SEBASTIAN ROLL,
NATIONAL VICE-COMMANDER,
THE AMERICAN LEGION
TO
U.S. SENATOR KENT CONRAD
ON
VA HEALTHCARE

June 1, 2006

Senator Conrad, it is an honor for me to appear before you to present The American Legion's view on VA Health Care. The American Legion has a proud tradition of advocating on behalf of America's veterans and this testimony reflects our continued commitment to ensuring VA is capable of meeting its obligation to all of America's veterans and their families.

Each generation of veterans has earned the right to timely access to quality health care and transitional programs available through the Department of Veterans Affairs. The American Legion will continue to work to ensure that VA is indeed capable of providing "care for him who shall have borne the battle and for his widow and his orphan."

With young servicemembers continuing to answer the nation's call to arms in every corner of the globe, we must now, more than ever, work together to honor their sacrifices. As veterans of Operation Enduring Freedom and Operation Iraqi Freedom return home, they are turning to VA not only for health care but also for assistance in transitioning back to the civilian world.

VA must be funded at levels that will ensure that all enrolled eligible veterans receive quality health care in a timely manner. As National Vice-Commander of this great organization, I stand ready to work with you to accomplish this goal.

VA BUDGET

Recent revelations that VHA's budget requests for fiscal years 2005 and 2006 contain shortfalls in funding came as no surprise to The American Legion. After visiting VA medical facilities across the nation, we knew that the funding recommendations we presented last year more accurately matched the actual budgetary needs of VA than the President had recommended or Congress enacted.

The American Legion thanks Congress for ensuring the emergency supplemental appropriations to cover these shortfalls so that VHA is not forced to further ration care and delay much needed maintenance and acquisition. VA medical care must be adequately funded in order to ensure facilities are staffed, equipped and maintained at a level that will allow all veterans to be treated in a timely manner.

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Proposals to improve the VA budget by charging veterans an annual enrollment fee and increased co-payments for prescriptions is not the solution to inadequate funding. Balancing the VA budget on the backs of veterans and their families is wrong. Neither is preventing previously eligible veterans from enrolling for VA healthcare the solution. The American Legion adamantly believes that closing VA's doors to a select population of veterans is wrong. Ensuring VA is funded at levels that allow ALL eligible veterans to receive care IS the solution.

ASSURED FUNDING

In an effort to provide a stable and adequate funding process, The American Legion fully supports assured funding for veterans medical care.
Under the current discretionary funding method:

- VA health care funding has failed to keep pace with medical inflation and the changing needs of the veteran population.
- VA has been forced to ration care by denying services to eligible veterans
- VA has had to forgo the modernization of many of its facilities and the purchase of necessary state-of-the-art medical equipment
- VA is subjected to the annual funding competition for limited discretionary resources

Additionally, the current discretionary funding process leaves VA facility administrators without a clear plan for the future.

The American Legion strongly supports legislation that would establish a system of capitation-based funding for VHA.

Annual funding would be without fiscal year limitation, meaning that any savings VHA realized in a fiscal year would be retained rather than returned to the Treasury, providing VHA with incentives to

develop efficiencies and creating a pool of funds for enhanced services, needed capital improvements, expanded research and development and other purposes.

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MEDICARE REIMBURSEMENT

The American Legion believes that Congress should allow VA to bill, collect and retain third-party reimbursements from Medicare on behalf of Medicare-eligible veterans treated for allowable nonservice-connected medical conditions.

Nearly all veterans pay into Medicare for their entire working lives. However, when they are most likely to need medical services from the hospital system designed specifically for them, they must turn elsewhere because VA cannot bill Medicare. This is wrong, and it is something that Congress can and should correct.

Additionally, *all* third-party reimbursements, co-payments, and deductibles should be *added* to the budget, not counted as an offset against it as they are received for treatment of nonservice-connected medical conditions.

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CARES

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To successfully implement the CARES decision, VA has estimated that it will require an infusion of a $1 billion per year for the next six years, with continuing substantial infrastructure investments well into the future. The CARES implementation must take into consideration VA's role in emergency preparedness, organizational capacity for "special emphasis programs" like mental health, long-term care, domiciliary and homeland security. Funding for CARES construction - estimated at

approximately $6 billion when plans were announced in May 2004- has failed to be provided in the Federal budget.

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INCREASED NEED FOR PTSD SERVICES

Senator Conrad, another key issue of concern is The American Legion's dedication to ensuring that VA is capable of meeting the mental health care needs of both the current population of veterans seeking care, and the new generation of veterans returning from Iraq and Afghanistan.

As the Global War on Terror continues, casualties are mounting and the ability of the nation to take care of those who have fought bravely continues to be tested. We must not fail. History has shown that the cost of war does not end on the battlefield.

Service members do not all suffer from obvious injuries such as amputations, gunshot wounds and other severely disabling conditions. The estimation has been as high as 30 percent of those serving in Operations Enduring Freedom and Iraqi Freedom will suffer the hidden wounds of traumatic stress and other psychiatric conditions due to combat exposure and the rigors of the battlefield.

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Our site visits revealed a critical shortage in the funding of VA health care. A number of facilities reported having to convert capital improvement dollars to health care dollars in order to meet the service demands of the current veteran patient population. The shifting of these funds has resulted in the delay of needed infrastructure repairs resulting in huge maintenance backlogs at facilities.

THEFT OF VETERAN DATA

Frankly, Senator Conrad, it is incomprehensible that millions of veterans and their family members are now at great risk of identity theft due to the actions of a VA employee. While this may not appear on the surface to be directly related to health care, it is. First and foremost, we have to ask how the VA will maintain the integrity of a veterans health care record. With the information that was stolen, a person could assume the identity of a veteran and simply secure VA health care services or worse yet, gain access to a veterans medical treatment records. Someone with the right information could request a copy of a veterans VA health record. How in the world is the VA going to know that they aren't releasing those records to someone who has stolen the veterans identity? I doubt they can and that is very disturbing. As you know, Senator, many of our veterans suffer from some type of mental disorder such as PTSD, depression, schizophrenia, etc. The theft of these records has caused them immeasurable anxiety that may never be able to be taken care of. Why in the world has nobody been fired at the VA over this? Our veterans have suffered enough already and now, because of some VA employee's negligence they are suffering again.

Senator Conrad, this nation crossed a new threshold on September 11, 2001. America's sense of invulnerability was forever changed by a newly emerging global threat. The need for a strong, forward thinking national defense has become paramount. In the face of this new threat the nation has once again turned to a generation of young men and women dedicated to the defense of our freedoms and liberties. With that dedication comes a national obligation to care for him who shall have borne the battle and for his widow and his orphan.

Together we can work to ensure that a strong, forward thinking Department of Veterans Affairs will be able to provide for this new generation of veterans. The brave men and women who are serving in our Armed Forces in Iraq and Afghanistan and throughout the world deserve no less.

Thank you.

SENATOR CONRAD. Thank you. That is very important testimony. We appreciate it very much. I just wanted to say on the last point that Mr. Roll made, we do have now the resignation of Michael McLendon, the deputy assistant secretary, who learned of the burglary within hours of the crime but did not immediately tell top-ranked officials. I have been told the deputy assistant secretary for policy, this gentleman has resigned.

The assistant secretary for policy and planning has been placed on administrative leave, so finally there are some actions to hold accountable to those. It was totally inexplicable as to why this man took these files to his home.

You know, what kind of security policy is in place that would allow millions of files to be taken out of secure VA headquarters, taken to the personal home of someone? For what purpose was that done and what security procedure is in place that would ever allow such a thing? And now we learn the information today that not only in many cases not only names and social security numbers but also now we find out that the phone numbers and addresses.

It is unbelievable and everyone who is responsible for this has to be held to account and that should be the standard that we apply. Those who are responsible, not only the person who took those home he has to go and he is going. He is being removed, but in addition to that anybody who allowed a policy to be in place in which records could be taken from the headquarters, that is just unacceptable. That is irresponsible and those are people who ought to all be removed.

Let me ask you a set of questions that I would like each of you to answer because they are important for the record of the Senate Budget Committee. No. 1, I would ask each one of you do you support the independent budget levels called for by the joint work of veterans organizations?

Commissioner Hanson, would you support the independent budget levels?

MR. HANSON. Senator, yes, I would. I think it's a good start. It's better than what the administration has proposed; although, I think it should be a building block because we have so much more to do.

SENATOR CONRAD. Well, that is a very good point. I want to say I want to commend the organizations that have come up with the independent budget. I mean I have special responsibility for budgeting to my colleagues. I know how much work, extraordinary amounts of work, go into preparing these budgets, and for these veterans organizations to take on the task themselves to produce an independent budget I think deserves special consideration, and I just want to thank them publicly for what they have done.

Warren, would you support the budget levels called for in the independent budget?

MR. TOBIN. Senator, on behalf of Disabled American Veterans nationally, that we—we are—our organization is part of crafting that document and has signed on and certainly we fully support the independent budget.

SENATOR CONRAD. I appreciate that.

Seb, would you speaking on behalf of The American Legion support the budget levels called for in the independent budget?

MR. ROLL. I'm sure we do. I don't know how many hours and days that The American Legion, Department of American headquarters, spends on this budget, but through the years I've always felt that we were more accurate than anybody else on the budget process about what the American Legion has set up for a budget, what is needed in years to come. Absolutely.

SENATOR CONRAD. I want to just say that I believe that is the case. You know, some have said, well, that is gold plated. No, it's not gold plated. I mean I think honestly you could justify several billion dollars more given the extraordinary demands on the system.

Let me just say I have been doing some research on what we are finding from Afghanistan and Iraq. For those who have sought care from the VA, 37,618 have been diagnosed with a psychiatric disorder. 37,618.

Close to 1,300 have been diagnosed with psychiatric disorders, classified as having symptoms of posttraumatic stress disorder, PTSD, which many of you referred to in your testimony.

I have heard repeatedly from officials in the veterans organizations and Veterans Administration Hospitals that they do not have sufficient resources to deal with these very large numbers of people who come back deeply troubled so that has to be addressed, and I am glad that each of you talked in your testimony about that issue.

The second question I want to ask each of you because again this is critically important for the record. As you know in the Federal budget, there are two types of funding, there is discretionary funding and there is mandatory funding. Discretionary funding is precisely that. It is discretionary. Congress appropriates those funds every year and the results are dependent on the appropriations process.

Mandatory funding is precisely that. It is mandatory. It is based on the need and the funds are provided to meet the needs. So, for example, social security is a mandatory program. All of those who qualify for social security get the compensation that is provided for under law.

Medicare is a mandatory program. All those who are eligible get the service levels and the benefits that are outlined in the law. It is not dependent on the amount of appropriations provided for by the Congress every year.

As all of you know, veterans medical care is under discretionary funding. My argument with my colleagues is that while it is classified as discretionary, it is not discretionary. It ought to be mandatory. It ought to be required because the promise has been made.

The question is are we going to keep the promise or not? If our intention is to keep the promise, then the funding ought to be described as mandatory. It is not a discretionary matter on whether we are going to keep this promise or not. It is not discretionary.

I would just ask each of the witnesses in turn do you support a mandatory funding criteria for veterans funding?

Commissioner Hanson.

MR. HANSON. Senator, absolutely! I think if one sort of compares it to at least the veterans of my era there was nothing discretionary about whether we were going to go to war or not. We were drafted and it was mandatory, and it's like our servicemen now who are serving in the guard. If their unit is called, it's mandatory. They don't have the discretion to say I don't want to go.

I think that it is just absolutely necessary to be mandatory. There is nothing discretionary in my mind about providing health care to our veterans.

SENATOR CONRAD. Warren?

MR. TOBIN. Thank you, Senator. I would like to confirm what was in my written and oral testimony that definitely the DAV is highly supportive of mandatory funding under various criteria for our VA health care and for other VA programs and certainly with emphasis on the disabled veterans.

SENATOR CONRAD. And, Seb?

MR. ROLL. Well, Senator, I feel the VA has been short on budget since the existence of the VA. I have never known where they had an excess dollar and I think we are going to stay that way until we have mandatory funding.

SENATOR CONRAD. Well, I thank you for that. It is very important that this be on the record because, as you know, this is a continuing controversy.

The third question I would like to put to each of you and that is the question of Medicare reimbursement. It seems fairly straightforward to me. The question is should veterans who are Medicare eligible, who are in the VA system, should the VA system be able to get Medicare reimbursement just as any other health care provider would be able to do?

Commissioner Hanson, what would your answer be?

MR. HANSON. Absolutely!

SENATOR CONRAD. Warren?

MR. TOBIN. Yes. Our organization is in support of VA being able to get reimbursement through the subvention program for Medicare.

SENATOR CONRAD. And, Seb?

MR. ROLL. Senator, I fully support it. I just want to mention that I live 110 miles from Bismarck and I'm on Medicare, but I like the VA doctors. I like the VA system, so I feel as long as I'm willing to drive 110 miles to come and see the doctor of my choice my Medicare should go to that doctor.

SENATOR CONRAD. All right. I thank you all for those answers.

Before I call the second panel, I would ask each of the witnesses if there is anything that they would like to add for the purposes of the record, and before I ask you to respond, I would just say to each one of you I think you have provided very important testimony to this committee. I personally appreciate your taking the time to come and provide these views to the committee. That is very helpful to the Budget Committee to have this information and I hope will be used in an effective way in the debate to come.

Commissioner Hanson, anything that you would want to add?

MR. HANSON. No, Senator. I think either you or the others here explained everything to my satisfaction and I agree with everything that has been said.

SENATOR CONRAD. Warren, anything you would want to add?

MR. TOBIN. I believe that the record has already covered everything that I would want to say today.

SENATOR CONRAD. All right. Thank you very much.

And, Seb?

MR. ROLL. Yeah, I think I want to cover a little bit that wasn't quite covered in here. You know, it makes a person feel bad. I had a young Iraqi soldier come up to me the other day on Memorial Day and he said, Seb, you know, I feel really bad because I got wounded over in Iraq and I got a 30 percent disability he says and I still serve in the National Guard and he says now they want to take that 30 percent away from my guard pay.

It was sad. It's sad when you hear this from a young soldier. It's—it's—how do you answer a young soldier that way? It's—you just thank him for his service and let's hope some of this gets better and I just said, well, we're trying to change that and I said let's hope our government sees and does better for you on that.

SENATOR CONRAD. Very good. Thank you. I thank this entire panel. I appreciate very much the contributions each of you have made here today.

Let me now call the second panel, John Hanson representing the North Dakota Veterans of Foreign Wars. He's the Legislative Commander for the Veterans of Foreign Wars. Wally Buckingham from AMVETS and the North Dakota Administrative Committee on Veterans Affairs and Dan Stenvold, the State President of Vietnam Veterans of American. Again welcome to the three of you. I very much appreciate your attendance. I also want to recognize that the National VFW Commander is here, James Mueller, from O'Fallon, Missouri.

MR. MUELLER. Yes, sir.

SENATOR CONRAD. Thank you very much for being here, and at the end of this panel if you would like to say anything for the record, we would certainly welcome that.

MR. MUELLER. I thank you for that opportunity. I appreciate that.

SENATOR CONRAD. You bet.

With that, then we will turn to the second panel and we will begin with John Hanson, North Dakota Legislative Commander for the Veterans of Foreign Wars. Welcome, John. It is nice to have you here.

MR. HANSON. Thank you, Senator Conrad. I would like to thank you for the invitation to submit testimony for this important hearing on veterans' health care legislation. The VFW is this nation's largest organization of combat veterans, with over 2.3 million men and women across the country and in our auxiliaries.

We are happy to support Senate Bill 1537 that would establish six centers for Parkinson's disease research and two Centers of Excellence for Multiple Sclerosis.

VA research has been at the forefront of many medical breakthroughs and increased emphasis on preventing, treating, and curing these two diseases is extremely important. This legislation would consolidate system-wide research done on those conditions and would help streamline research and, perhaps, improve effectiveness. Since a large number of highly qualified doctors are drawn to the VA, in part, for the ability to conduct world-class research, these centers could help recruitment.

We should also keep in mind that any benefits and breakthroughs these centers would generate would not just affect this nation's veterans, but all of American. It's a win-win for everyone.

Senator Conrad, I would like to thank you for being a cosigning for Senate Bill 2433, which recognizes the growing problems that many rural veterans face and offers an ambitious solution. Section 2 could create an Assistant Secretary for Rural Veterans within the VA.

Section 3 would mandate demonstration projects for improving access to care in rural areas by creating partnerships with other government agencies and private health care providers.

And Section 4 would create a specific pilot program to improve care for veterans in highly rural or geographically remote areas.

Section 5 would improve the travel reimbursement for veterans to VA facilities.

And Section 6 would create from one to five Centers of Excellence for rural health research, education, and clinical activities.

We appreciate the intent of this comprehensive legislation. As a nation-wide organization, many of our members face the problems that this legislation aims to solve.

We strongly support Section 5, which would increase the travel reimbursement for veterans seeking care at VA facilities. This is badly needed as the mileage rate has not been increased in many years, and the deductible means that most veterans receive no travel assistance at all. This section would increase the rate to the fair rate provided to Federal employees. It is the proper thing to do.

We have several concerns, however, with sections 3 and 4. While we understand that in some areas it is the only alternative, we are concerned that this bill's reliance on fee-based care is overly broad and that it would adversely impact the VA's budget and its ability to provide care to all veterans. Although we completely agree that more must be done to help these underserved veterans, relying primarily on fee-basis could be a dangerous precedent and shirks the VA of its responsibility to care equally for all veterans.

We feel that many of the problems faced by rural veterans are wrapped up in larger funding problems that the VA has encountered in the last few years. Although we appreciate—appreciative of the budget increases, sufficient funding has not been provided for all veterans seeking care. Proper funding, we believe, would fix some of these problems.

We happily support Senate Bill 2005, Healing the Invisible Wounds Act. This legislation, which aims to improve mental health services for veterans, especially those in the National Guard.

Section 2 mandates that any decision the VA makes to change regulations for posttraumatic stress disorder would require the notification of Congress and a 6-month wait before implementation.

Section 3 mandates counseling and readjustment services for National Guard members returning from a combat theater.

Section 4 increases the funding for Vet Centers to be used on counseling and readjustment services.

We strongly support Section 2. With the VA's ill-fated PTSD review fresh in our memory, as well as the investigation about the Institute of Medicine lingering, it seems the VA is predisposed to weakening veterans' benefits with respect to PTSD. This is an intolerable situation that does more to harm veterans by attaching a stigma and discouraging those who truly need help from receiving the care and benefits they need to lead productive lives.

Sections 3 and 4 are some important parts of meeting the needs of veterans. Despite VA's recent actions, we must encourage more veterans to avail themselves of VA services. VA's mission is to make veterans whole, and effective mental health treatment is an important part of that.

By actively screening returning National Guard members, we can efficiently help those who need treatment and assist them as they transition back into daily life.

War certainly is difficult, and the types of conflict our men and women are facing are unique. We need to ensure policies are in place that are adaptable to the current needs of veterans, and this legislation is a step in that direction.

VFW is glad to support Senate Bill 2736. This legislation would create at least five VA centers for rehabilitation for veterans with amputations or prosthetic devices. At a time when war dominates the headlines, it is clear that it is necessary.

Thanks to improvements in technology, many servicemen and women are surviving blasts and injuries that would have killed them many years ago, but their survival is coming at a heavy physical price. The VA has been long on the forefront of prosthetics and amputation research, but the current conflicts are greatly increasing demand for these types of services, which allow these service members to easily transition back into productive society. Losing a limb is not a death sentence, and the uplifting examples that so many men and women provide is powerful evidence of that.

The VFW we also support Senate Bill 2753, which would authorize a $10 million grant program for caregiver assistance to expand services available to veterans for noninstitutional care services.

As the veterans' population ages and as there continues to be reticence to fully fund long-term, institutional care, these types of assisted services, such as adult day health care and hospice care, will prove to be invaluable.

We are pleased to support Senate Bill 2762 where this legislation makes some needed changes in how the VA provides long-term care.

Section 2 of the legislation would require the VA to report to Congress prior to making changes to the per diem program used to help fund State homes and the long-term care they provide. State homes are an integral part of VA's total long-term care process, and requiring this report will hopefully prevent the elimination or reduction of these critical payments for budget-based reasons. We cannot pinch pennies while the number of veterans needing services of these kinds of essential services climbs.

Section 3 would require VA to provide medications for veterans with service-connected disabilities regardless of whether they reside in a VA facility or a State home. While we continue to oppose VA using State home beds to supplant its statutory obligation to provide long-term care, it only makes sense that, if the VA is going to use State home beds in this way, it affords them the same benefits. It is, in short, part of the full costs of care.

And Section 4 would still allow VA to treat certain health care facilities as State homes for purposes of providing long-term care to veterans. In rural or remote areas, especially, this could be helpful to VA. We support the concept, but we must watch to ensure the same levels of care are being provided and that vigorous oversight is maintained to ensure that the facilities are up to VA's high standards.

Mr. Chairman, I think you for the opportunity to provide testimony.

[The prepared statement of Mr. John D. Hanson follows:]

STATEMENT OF

JOHN D. HANSON, MEMBER
NATIONAL LEGISLATIVE COMMITTEE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

TO THE

SENATE BUDGET COMMITTEE
UNITED STATES SENATE

WITH RESPECT TO
BUDGET IMPLECTIONS of MEETING VETERANS HEALTH CARE NEEDS

FARGO, NORTH DAKOTA JUNE 1, 2006

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I would like to thank you for the invitation to submit testimony for this important hearing on veterans' health care legislation. The VFW is this nation's largest organization of combat veterans, with over 2.3 million men and women across the country and in our Auxiliaries.

We are happy to support **S. 1537,** legislation that would establish six centers for Parkinson's disease research and two Centers of Excellence for Multiple Sclerosis.

VA research has been at the forefront of many medical breakthroughs and an increased emphasis on preventing, treating, and curing these two diseases is extremely important. This legislation would consolidate system-wide research being done on these conditions and would help to streamline research and, perhaps, improve its effectiveness. Since a large number of highly qualified doctors are drawn to VA, in part, for the ability to conduct world-class research, these centers could help recruitment.

We should also keep in mind that any benefits and breakthroughs that these centers would generate would not just affect this nation's veterans, but all of America. It's a win-win for everyone. We thank Senator Akaka for introducing it, and we would urge this Committee's approval.

Senate Bill 2433 recognizes the growing access problems that many rural veterans face, and offers many ambitious solutions. Section 2 would create an Assistant Secretary for Rural Veterans within VA. Section 3 would mandate demonstration projects for improving access to care in rural areas by creating

partnerships with other government agencies and private health care providers. Section 4 would create a specific pilot program to improve care for veterans in highly rural or geographically remote areas. Section 5 would improve the travel reimbursement for veterans traveling to VA facilities. Section 6 would create from one to five centers of excellence for rural health research, education and clinical activities.

We appreciate the intent of this comprehensive legislation. As a nation-wide organization, many of our members face the problems that this legislation aims to solve.

We strongly support Section 5, which would increase the travel reimbursement for veterans seeking care at VA facilities. This is badly needed as the mileage rate has not been increased in many years, and the deductible means that most veterans receive no travel assistance at all. This section would increase the rate to the fair rate provided to Federal employees. It is the proper thing to do.

We have several concerns, however, with sections 3 and 4. While we understand that in some areas it is the only alternative, we are concerned that this bill's reliance on fee-based care is overly broad and that it could adversely impact VA's budget and its ability to provide care to all veterans. Although we completely agree that more must be done to help these underserved veterans, relying primarily on fee-basis care could be a dangerous precedent, and shirks VA of its responsibility to care for all veterans equally.

We feel that many of the problems faced by rural veterans are wrapped up in the larger funding problems that VA has encountered over the last few years. Although we are appreciative of the budget increases, sufficient funding has not been provided for all veterans seeking care. Proper funding, we believe, would fix some of these problems.

Healing the Invisible Wounds Act

We happily support **S.2005**. This legislation, which aims to improve mental health services for veterans, especially those in the National Guard.

Section 2 mandates that any decision that VA makes to change regulations for Post-Traumatic Stress Disorder (PTSD) would require the notification of Congress and a six- month wait before implementation. Section 3 mandates counseling and readjustment services for National Guard members returning from a combat theater. Section 4 increases funding for Vet Centers to be used on counseling and readjustment services.

We strongly support section 2. With VA's ill-fated PTSD review fresh in our memory, as well as the investigation by the Institute of Medicine lingering, it seems that VA is predisposed to weakening veterans benefits with respect to PTSD. This is an intolerable situation that does more to harm veterans by attaching a stigma, and discouraging those who truly need help from receiving the care and benefits they need to lead productive lives.

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We support **S.2753**, which would authorize a $10 million grant program for caregiver assistance to expand services available to veterans for non-institutional care services.

As the veterans' population ages and as there continues to be reticence to fully fund long-term, institutional care, these types of assisted services, such as adult-day health care and hospice care, will prove to be invaluable.

We are pleased to support **S.2762** where this legislation, which makes some needed changes in how VA provides long-term care.

Section 2 of the legislation would require VA to report to Congress prior to making changes to the per diem program used to help fund state homes and the long-term care they provide. State homes are an integral part of VA's total long-term care process, and requiring this report will hopefully prevent the elimination or reduction of these critical payments for budget-based reasons. We cannot pinch pennies while the number of veterans needing these kinds of essential services climbs.

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using State Home beds to supplant its statutory obligation to provide long-term care, it only makes sense that, if VA is going to use State Home beds in this way, it affords them the same benefits. It is, in short, part of the full costs of care.

Section 4 would allow VA to treat certain health care facilities as State Homes for purposes of providing long-term care to veterans. In rural or remote areas, especially, this could be helpful to VA. We support the concept, but we must watch to ensure that the same levels of care are being provided and that vigorous oversight is maintained to ensure that these facilities are up to VA's high standards.

Mr. Chairman, we thank you for the opportunity to provide testimony for this important hearing.

SENATOR CONRAD. Thank you, John, for that very excellent testimony.

Next we'll hear from Wally Buckingham, who represents AMVETS and North Dakota Administrative Committee on Veterans Affairs. Welcome, Wally. Thank you for being here.

MR. BUCKINGHAM. Thank you, Senator Conrad, for asking me to attend this meeting today.

I appreciate your holding this hearing in North Dakota.

The budget for veterans' health care and associated needs appears to me to be inadequate. I will share some of my concerns. Without a doubt the major concern facing VA health care is the absolute need for mandatory funding. It is my belief that the mandatory funding could result in less dollars being spent over a long period of time. Veterans deserve to know that health care will be available now and in the future.

I have a lot of concern about veterans in western North Dakota who travel long distances to receive health care. Can you imagine getting up in the morning and getting in a van and they say, "Settle down now and relax. In 6 hours we'll have you to your doctor."

That has to be unbelievable! These clinics are a step in the right direction but I think got a long ways to go.

I'm a veteran of World War II and I have lived through five wars, and there's no doubt that we are going to continue to have wars and we're going to continue to have a larger increase of veterans, and mandatory funding is the only way we're going to take care of those veterans.

PTSD, among other things, the new veterans of today are much more disabled than they ever were in any other war and they are going to take a lot of care for many years. PTSD is nothing new. In World War II they had it but they called it different things, like shell shock and battle fatigue and everything else, and it takes a lot of care.

I volunteer at the VA hospital and I see those veterans every day up there and I have for like 10 years. The care is much better than it was 5 years ago, a lot better, but they got a lot further to go.

Those—the staff at the VA hospital give better care than any hospital I have ever been in. They are outstanding, but they have to have funds if they are going to keep to operate.

I think that I'm probably more proud of that VA hospital than any other place I've ever been. If you go up there and look, the rooms are beautiful. It's a beautiful building and it has really made a difference, but we have to have more mandatory funding, and that's about all I have to say.

I would just like to see mandatory funding and no more categories. We don't need categories. When I went into the service in World War II, they didn't ask you what category you were.

SENATOR CONRAD. There is almost something un-American about it. I agree with that.

MR. BUCKINGHAM. Thank you.

SENATOR CONRAD. Thank you very much, Wally. Dan, welcome. Good to have you here.

MR. STENVOLD. Thank you, Senator. It's good to be here.

I would like to thank you for the opportunity to be here and I would also like to extend greetings from my national president, John Rowan, to you and your wife. He knows you both well he says.

SENATOR CONRAD. He does indeed.

MR. STENVOLD. I asked our president what I should talk about today and he told me to represent VVA the way I always have and to have fun with it.

I can't talk about the billions in dollars that are needed for VA funding because they are just too many zeros in a billion for me to comprehend, but what I can talk about is the personal problems that veterans are having in this State because of the lack of funding. I also want to talk about the problems that I personally had.

I left Vietnam in 1971 after serving three tours with the Army artillery. At that time, I thought my fighting days were over. Then about 3 years ago, Agent Orange started to take over my body and the battles began. It was a 3-year process for me to get the health care I needed, but I'm one of the lucky ones. I got it.

I have several friends whose names are on the wall in DC, but I have lost more friends to Agent Orange and PTSD. Friends like Tom Laferty from here in Fargo, John Coyne from Minot, both

highly decorated Marines from the Vietnam war. Both lost their fight with Agent Orange and both had to fight the VA for everything they got, which was too little too late.

Bob was talking about John, because I talked to his wife and she said I could use his name, but John is the veteran that had to drive from Minot to Fargo for his chemo and his radiation treatments. He always said the biggest slap in the face from the VA was the 11 cents paid for his mileage. He called it a joke.

There's a veteran—I'm from Park River. There's a veteran in Park River by the name of Dave Daley. He's a Gulf War veteran. On the good days, he can walk with one cane, on a bad day it's either two canes or he stays in bed. He has Gulf War Syndrome. He shakes so bad that he has a hard time feeding himself or drinking water from a glass.

He fought the VA to get help. At first the VA said it was other medical problems not related to his military service. Then there was no funding for Gulf War Syndrome. After 3 years of fighting, he's now getting the help that he needs.

I have a letter in my possession from the family of Dennis Borgen from Lakota, North Dakota. He retired from the Navy after 28 years of military service. He had a massive stroke in March of 2001 while in Reno, Nevada.

His family wanted him moved back to Lakota where he is a patient at the Good Samaritan Center right now. He just found out that because he didn't spend 3 days in the hospital in North Dakota before being admitted to the Good Samaritan Home in Lakota he now owes CHAMPUS/TRICARE something like $87,000 that he doesn't have. He needs our help and I hope something can be done for him and his family.

Senator, I could go on and on with stories like this, but I think you get the picture. The VA system is broke in more ways than one. It's not getting the funds it needs to take care of the veterans and the whole system, according to a lot of veterans, is not veteran friendly. There's no excuse for a two, three, or 4-year wait for some veterans to get the health care or help that they need.

Why can't our government just live up to its promises it made to us before we put on the uniform of this great nation? We have homeless veterans in the streets. We have children that go to bed hungry every night. There are thousands of veterans that need health care and they are not getting it because there are no funds available. Yet we send billions of dollars out of this country to countries all over the world very day.

We send it to countries that hate us with a passion. I don't get it. Let's start taking care of our own, forget about always be politically correct and do what's right for a change.

[The prepared statement of Dan Stenvold follows:]

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Dan Stenvold, President, Vietnam Veterans Of America

Veterans' Health Care: Talking Points

- By in large, the VA health care system provides excellent care for the 5.2 million veterans who use it. However, the system remains under-funded: After eligibility reform kicked in in 1996, the VA health care budget was flat-lined for three years, straining resources. Today, this under-funding can be felt in deferred maintenance, deferred purchase of state-of-the-art equipment, and in many areas of the country waits of six months or longer for a veteran to see his/her primary care doc or specialist.

- The method of funding the VA's medical operations needs to be examined, with an eye toward altering it to meet current needs. VVA believes that a method that will assure the VA of a predictable, reliable, sustainable funding stream is needed. This will avoid scenarios such as occurred last July, when the VA Secretary was forced to acknowledge that his department was $1 billion short to get through the FY'05 fiscal year.

- This is not only VVA's position but the position of the 9 VSOs that comprise The Partnership for Veterans Health Care Budget Reform. And reform is critical: The men and women currently deployed in Afghanistan, Iraq, Kosovo and other hotspots must be assured that the VA health care will have the resources to treat them when they seek treatment, now and in the future. Already more than 125,000 OIF and OEF veterans are going to the VA for their care needs.

- The President's own Task Force to Improve Health Care delivery for Our Nation's Veterans cited the need for reform. In its final report it identified a significant mismatch between the demand for VA services and the availability of adequate funding which, if left unresolved, would delay veterans' access to care and threaten the quality of care provided. In Recommendation 5.1, the Task Force noted: *The federal government should provide full funding to ensure that enrolled veterans in Priority Groups 1 through 7 are provided [with] the current comprehensive benefit in accordance with VA's established access standards. Full funding should occur through modifications to the current budget and appropriations process, by using a mandatory funding mechanism, or by some other changes in the process that achieve the desired goal.*

- Priority 8 veterans, the Task Force noted, "do not know from year to year whether they will have access to VA care, and as an organization, the VA cannot effectively plan or budget, given this uncertainty." Declaring this situation unacceptable, the Task Force recommended that the President and the Congress should work together to resolve the status of this group.

- We would hope that Senators and Representatives of good will – from both sides of the aisle – can see the need to get together, hold hearings, and come up with a funding formula that will meet the needs of the VA and the veterans it serves.

Thank you, Senator.

SENATOR CONRAD. Thank you. That was just excellent. Just excellent. I appreciate so much the testimony of this panel.

I would like to ask you the three questions I had asked the previous panel, and I do this and I know some of you already have said very clearly in your testimony your answers to these questions, but I hope you will understand I am trying to create a record here that we can refer to very simply in debate and discussion and that is why I ask these questions once again.

First of all with respect to the independent budget, John, would you support the levels of funding called for in the independent budget?

MR. HANSON. Yes, I would.

SENATOR CONRAD. And, Wally?

MR. BUCKINGHAM. Yes, I would. Definitely!

SENATOR CONRAD. Dan?

MR. STENVOLD. VVA nationally does.

SENATOR CONRAD. So it is very clear all three witnesses on this panel have said unequivocally and clearly that they support the levels of funding provided for in the independent budget.

On the second question, would you support making VA funding mandatory rather than discretionary? John?

MR. HANSON. Senator Conrad, mandatory funding is the only way to go. Discretionary you never get there, and when you set it right where you need it, then you know you're going to have it.

SENATOR CONRAD. Very well. Wally?

MR. BUCKINGHAM. Yes, unless the veterans are not a part of the other citizens. If mandatory funding is needed for Medicare, why isn't it needed for the veterans care? It seems to me like it should be the same Senator Conrad. You know, I think I will use that quote or that question that you have just asked in the debate. I think that sums it up as well as anybody could.

Dan?

MR. STENVOLD. And VVA nationally supports mandatory health care for veterans.

SENATOR CONRAD. Well, I think you for that.

The third question is the question of Medicare reimbursement. Should VA be able to get compensation from Medicare for providing health care coverage to those who are both Medicare eligible and eligible for VA benefits?

John?

MR. HANSON. Senator Conrad, I agree they should support the Medicare reimbursement. I'm not quite ready to go that far yet, but I do hope they support that Senator Conrad. All right. Wally?

MR. BUCKINGHAM. Yes, I very much support it.

SENATOR CONRAD. Thank you very much.

And, Dan?

MR. STENVOLD. Yes. So does VVA.

SENATOR CONRAD. Well, I appreciate that from the three of you. Let me just say that I have not asked questions that are non-budget related questions. I have made a statement here with respect to what happened in the Veterans Administration with the theft of these records. I have not asked questions about that because that is not in the jurisdiction of this committee, but I want you all to know the reason that I have not asked questions is because that is not strictly in the jurisdiction of the Budget Committee, but I think that all of us have indicated in one way or another how concerned we are about this theft.

I must say when I heard it I could not believe it. Honestly, I thought it had to be some kind of a mistake. How could it be possible that an employee at whatever level would have the authority to take to his personal residence over 25 million records? How could that conceivably be possible? And if any of you want to comment on that separately, you are welcome to do that Mr. Stenvold. I would like to ask a question, Senator. According to anything I could find on the Internet, right now we have approximately 25.2 million veterans that are alive and yet they said when those records were stolen it was everybody that was released from the military after 1975. That doesn't make sense. The math does not add up.

SENATOR CONRAD. No, the math does not add up, and I can only assume that the press reports were in error.

MR. STENVOLD. OK.

SENATOR CONRAD. And I would say I would not be shocked with press reports being in error, having been subjected to a number of errors of reporting in my career.

Wally.

MR. BUCKINGHAM. I have no comment other than the fact I was released before 1975, so I'm not real nervous.

SENATOR CONRAD. John, anything?

MR. HANSON. Well, Senator, on that one, too, I was out of the military before 1975 but still again, you know, it's pure shock at how it could ruin the lives of so many people, you know, depending on what information was actually released and what's going to happen to it and where is it going to go to and what are people going to do with it once they receive it.

SENATOR CONRAD. Well, I want to say this; that very dedicated law enforcement is on the trail. FBI, I have been assured, has assigned some of their top people to this matter and we all hope and pray that these records are recovered and they have not been tampered with, they have not been used.

I think we all can conjure up a worse-case scenario, but I think we all have to hope that law enforcement is able to get these records back.

I would ask each of the witnesses if there is anything they would like to add for the record?

John, anything that you would want to add?

MR. HANSON. Yes, I would. I was down at the VA 2 weeks ago for an appointment. I know usually the appointments only last only ten or 15 minutes, and if anybody had one 2 weeks ago on Wednesday, I'm sorry I took your appointment away from you, but going to the VA and sitting down with the doctor my experience in the past 15, 20 minutes. Two and a half hours later I looked at my watch and I said, "Do you have any other people to see today?"

I was really happy that we actually sat down and got down to the point of what we're getting to and was really shocked, and my wife said, "You spent all that time at the VA?"

And I said, "Yes, I did." And I said it's turning around and they are coming back, and I know a lot of that is thanks to getting funding and being able to support us, and I would like to thank you for supporting North Dakota and the veterans of North Dakota. Thank you.

SENATOR CONRAD. Thank you, John.

Wally, anything that you would want to add?

MR. BUCKINGHAM. No, I have nothing to add.

[The prepared statement of Wallace Buckingham follows:]

STATEMENT
Wallace Buckingham
Past Commander
Department of North Dakota AMVETS
US Senate Budget Committee Hearing
Budget Implications of Meeting Veterans' Health Care Needs
Fargo, ND
June 1, 2006

Senator Conrad, I am Wallace Buckingham, Past Department Commander of the North Dakota AMVETS, Past National Executive Committeeman of AMVETS, Past Commander of the Marine Corps League and a member of the North Dakota Administrative Committee on Veterans' Affairs. I am also a volunteer at the Fargo VA Medical Center with over 10 years of service and 4000 hours of volunteer work. I appreciate your asking me to share my ideas regarding the budget implications of meeting veterans' health care needs with you and the members of the United States Senate Budget Committee.

I appreciate your holding this hearing in North Dakota.

The budget for veterans' healthcare and associated needs appears to me to be inadequate. I will share with you some of the concerns which I feel need to be addressed.

Without a doubt the major concern facing VA healthcare is the absolute need for mandatory funding. It is my belief the costs of mandatory funding could result in less dollars being spent over time. Veterans deserve to know their health care will be available now and in the future. They deserve no less.

I have a great concern about the need for veterans in a state like North Dakota who must travel literally hundreds of miles one way to receive their health care at our VA. I see them every time I do volunteer work at the VA. These are mostly the older veterans who should not have to endure hours of riding in a van or car to get the care they were promised. Outreach clinics are a step in the right direction. However, the veteran must still do this traveling if they need specialty care. Is there any way the VA can work with medical facilities in the various towns throughout North Dakota to let the veteran receive some of their care in their own home town area?

Along these same lines, I strongly believe that if a person served our country in the military honorably, they are entitled to receive the healthcare benefits provided by the VA. Category 7 and 8 veterans should be covered for this care now.

A major concern of mine is Congress and the Administration need to ensure the funding is there to assist veterans of not only the current conflicts suffering with PTSD, but also those of previous wars.

Lastly, let me share with you how professional, caring and dedicated the Fargo VA staff is. They without a doubt provide the best care for our veterans I have ever encountered. They need to be treated with respect and in a manner befitting their profession.

Thank you for allowing me share these thoughts and concerns with you.

SENATOR CONRAD. Dan?

MR. STENVOLD. I have been fortunate that this is my sixth year as President of VVA and our national headquarters are in Silver Springs. When I go out there, I hear nothing but great things about you and your two other colleagues from North Dakota about supporting veterans. That means a lot to us.

SENATOR CONRAD. Well, thank you. I appreciate that more than I can say. Many of you know that my wife is one of those people who ran away from home and joined the Navy and served during the Vietnam era and claim——

MR. STENVOLD. Shawn has a membership card for her for VVA. She's——

SENATOR CONRAD. And you know she spent a lot of time at NDSU at the vet club and you know that, but she became an intelligence photographer and she had a marvelous experience in the Navy. It is something she is intentionally proud of and, of course, my uncles all had proud records of service as so many North Dakotans have, and we are proud of your service and we respect very

much what our veterans have done. Thank you so much. I thank this panel.

And I would say now again I want to indicate we are especially pleased to have the National Commander of the VFW in our presence, Mr. James Mueller. I hope I am pronouncing that correctly.

MR. MUELLER. That's fine, sir, yes.

SENATOR CONRAD. Who is from O'Fallon, Missouri, if I'm not mistaken.

MR. MUELLER. That's right, sir.

SENATOR CONRAD. If you would like to come to the witness table, we would welcome your testimony. I can tell you this is a special treat to have you in our presence. We are delighted that you are here.

MR. MUELLER. Thank you, Senator. First of all, I would like to express my deep appreciation for taking time out of your busy schedule to come here today, too, and for what you do for our veterans.

Right now we have World War II veterans. We have 3.5 million World War II veterans that are left and that's going to change dramatically over the next 5 years. There's going to be a lot of care demanded of the VA with our older veterans getting up in age where they are 82 and 87 years old and also with our young soldiers coming back from Iraq and Afghanistan.

When I served in Vietnam, because of what happened over there, I made a promise and a pledge that if I made it back that I would do whatever I could to serve veterans and their family and that and I didn't know it was going to lead me to this position.

When I came back, I joined my local post and we visited the VA, and going over everything else I really had a problem going into the spinal injury ward, and for awhile I couldn't go back because I felt like I couldn't do enough to help our veterans and what they are going through. I realize you can't give up because they need our help and I want to thank you for your sincere efforts on what you do and what our fellow comrades do out here.

First of all speaking for the VFW, I have a problem sometimes understanding how the VA works and what it does. On some occasions it will treat and give different care and in different hospitals. I can't see why one hospital will treat a patient and the other VA facility will not.

For example, like in St. Louis, they'll treat—they will not treat tendinitis there but you go to Columbia and they will treat and they can recognize tendinitis up there.

The VFW very much supports the independent budget process and I think over the last couple years I think the independent budget process fund by what's been reported here are more accurate on some of those things and, yes, the VFW supports mandatory funding and, yes, we support Medicare reimbursement.

I'm glad to see that you're coming here to take time to listen to the veterans of North Dakota. There is a lot of problems that are taking place and especially with rural health care issues.

I'm glad to see that the CARES programs is going to be having five clinics to cut down on some of the travel. It's an undue burden for our veterans to have to travel so far and spend so many hours

when some of these are in such poor health, so I thank you about what's been doing on that part of it.

I would like to address a little bit about what's taking place in the break of security of the VA, and I know you're not here just to hear a lot of that, but it's incomprehensible that this took place, like you said for an employee to take this home, but what's more hard to understand is that the Secretary of the Veterans Affairs was not informed of this until almost 3 weeks after it happened and the FBI was not called in.

I too—I agree on the letter that I sent to the secretary, hand delivered, that called for people to either be fired or held accountable for what's done, and I would ask and I would hope that Congress does that.

What I have a problem now is that there's not information forthcoming from the VA regarding what is in those records. Does it affect people before 1975? There's no information being put out. I understand that the VA was supposed to notify the veterans, but I understand that they haven't done that because they don't have enough envelopes to send out to do this. We need to hold them accountable and hold their feet to the flames for this breach of contract and that it never happens.

At a time in our history in the United States when we have such—since 9/11 terrorism done, we need to be more accountable to everybody and be more careful on security data what's handed out. I feel it's been a lack of leadership by the VA on this information.

I again thank you for taking the time to be here, what you do, what position you hold, and taking care of our veterans and I thank you very much for that.

SENATOR CONRAD. Well, let me just say that it is an honor to have you at this hearing. It is an honor to have you in North Dakota.

MR. MUELLER. It's a pleasure.

SENATOR CONRAD. I hope that we have extended our warmest North Dakota welcome to you.

MR. MUELLER. I look forward to visiting this weekend with comrades from the VFW.

SENATOR CONRAD. Well, it is wonderful that you are here. Let me just conclude by saying there are so many things that are inexplicable about this loss of records. What you have said is really completely unacceptable; that the secretary himself was not informed for weeks and as a result law enforcement not informed.

I mean everybody knows in law enforcement getting the information as rapidly as possible is the best thing to being able to solve a crime. That weeks went by, you know, that leaves the trail a lot colder than it might otherwise have been.

MR. MUELLER. Yes, it does, sir.

SENATOR CONRAD. And, honestly, I think the response of the VA thus far and I have acknowledged now that one man is being removed, another man has submitted his resignation, another is on administrative leave, that's not enough to me for a breach of this magnitude.

I think the secretary himself should be held accountable and responsibility for a leadership failure of stunning proportion, and I'm

not saying that he played any direct role, but he is the man in charge. The man in charge ought to be held to account for the policies that were in place that would have allowed such a breach to occur. How is it conceivably possible?

I used to be a tax commissioner for the State of North Dakota. We would never have allowed anybody to take the tax file of the State of North Dakota home. In your wildest imagination nobody would think they could do such a thing.

Well, again I thank you. I hope I pronounced your name correctly. Is it Mueller?

MR. MUELLER. Yes, Mueller.

SENATOR CONRAD. Do you pronounce it that way?

MR. MUELLER. Sir, I would just wish that the VA would come forward with more information on this of what's taken place. We've gotten a lot of calls and I'm sure some of the other comrades out there who's affected.

I had one lady call me and wanted to know about her World War II dad, who is 87 years old. If somebody calls and they say they are from the VA, should he give out information? I think the VA needs to come forward with more information of what's taking place and how to handle it, and to expect our veterans then to do their own credit checks I think is unacceptable.

I think the VA, which is ultimately the government, should stand some of the cost of this and be responsible for some of this.

SENATOR CONRAD. Well, I think you make a very powerful point. Let me just for the record read into the record that the civil servant, the senior career data analyst who lost the information and took it home, has now been terminated.

That Michael McLendon, the deputy assistant secretary for policy, has submitted his resignation and will leave the department at the end of this week.

That Dennis Duffy, who is the acting assistant secretary for policy and planning, has been placed on administrative leave. That those actions have all been taken. I don't find them sufficient. Clearly all of those actions were necessary but they are not sufficient.

This is a breach of really a stunning proportion, and you are quite right in terms of information. We have just gotten more information today that tells us, as I have indicated, that not only social security numbers and birthdays but now they have added the additional information just received today that phone numbers and addresses as well. I hope that this isn't another one of these cases where the information dribbles out and we find even more serious things.

I pray that we don't find persons, people's, individual medical records are at risk of revelation as well. Very stern action has to be taken because you've got to hold people to account. You have to send a very clear signal that this is unacceptable and people will be held accountable.

MR. MUELLER. Sir, before I go, just recently on the budget when I testified up on the hill, there's also talk about cutting 149 employees out that adjudicate claims.

Right now we have a backlog of over 880,000, and to do that I think is unacceptable. That is making people wait longer and

longer to help get benefits when they so desperately need it and everything else, and I think that's one thing I wanted to include in my remarks about that, about trying to cut back on employees that handle and adjudicate claims. With the backlog that we have on claims, it is take two and 3 years to get some of these claims processed and that.

SENATOR CONRAD. Well, I thank you very much for raising that issue. It is obviously very important when you cut back on the number of people who adjudicate claims you cut back dramatically on the claims that final determinations are made.

MR. MUELLER. Yes.

SENATOR CONRAD. Now, that means people are in effect denied what they legitimately are entitled to simply because of delay.

Again, thank you so much. It has been an honor to have you here and I appreciate all the witnesses today.

I think the testimony has been excellent. I think we have strengthened the record of the Senate Budget Committee in a significant way here today. Thank you very much and this will bring to an end this hearing of the Senate Budget Committee.

[Whereupon, at 4:10 p.m. the hearing was adjourned.]

SENATE BUDGET COMMITTEE PUBLIC HEARING REGARDING THE IMPACT OF FEDERAL FUNDING ON HIGHER EDUCATION

Friday, June 2, 2006

U.S. SENATE,
COMMITTEE ON THE BUDGET
Grand Forks, North Dakota

The public hearing was held at 2:30 p.m. at the University of North Dakota at the Energy and Environmental Resources Center building.

Present: Senator Kent Conrad, Dr. David Wilson, Dr. Barry Milavetz, Dr. Gerald Groenewold, Dr. Alice Hoffert, Mr. Bruce Gjovig, Dr. Delore Zimmerman, Logan Tong, and Gary Moore.

Staff present: Shelley Amdur.

OPENING STATEMENT OF SENATOR KENT CONRAD

SENATOR CONRAD. The hearing will come to order. I thank you all for being here. I would like to indicate that this is an official hearing of the Senate Budget Committee and so we will be under the rules of the Senate just as if we were in the hearing room in Washington.

That means when witnesses testify that we have no outside interference and no indication of support or disagreement with the statements of the witnesses. We want witnesses to feel that they have the absolute right to express their views fully and freely without fear of intimidation or reaction.

I want to indicate that this hearing was deemed necessary because we are now in conference between the House and the Senate to work out the budget for next year, and we have heard from a number of our colleagues that they wanted more evidence in the record as to the tangible benefits of higher education. What difference is higher education making in the economic lives of the people in our country?

I thought there is no better place to come than right here to the Energy and Environmental Research Center at the University of North Dakota to make the case in the official record, as to the tangible benefits on higher education and the difference it is making for the economic opportunity in our communities, in our States, and in our country. That is really what this hearing is focused on. And, it is happening at a critically important moment. Because the House has now taken action on its budget. The Senate took action on its budget some months ago.

We are now in what is called the conference period; that is, when the conference committee, and I am a member of that committee, works out the differences between the House proposal and the Senate proposal. That is why I think this hearing takes on a special importance.

Let me first indicate that when I was growing up, I was raised by my grandparents. My parents were killed when I was young. My grandmother was a school teacher, and I have told this story before on this campus. Gerry has heard it. My grandmother was about five feet tall and we called her Little Chief. We called her Little Chief because she commanded respect, and she commanded respect because of her character and her determination. I do not think in my life I ever met anybody with a more profound respect for education.

She was a school teacher. She had graduated from University of Minnesota, and also went to college in New York. At a time when very few woman had the opportunity or the privilege to get a degree and even education beyond that, that was a rarity. She had such a profound respect for education.

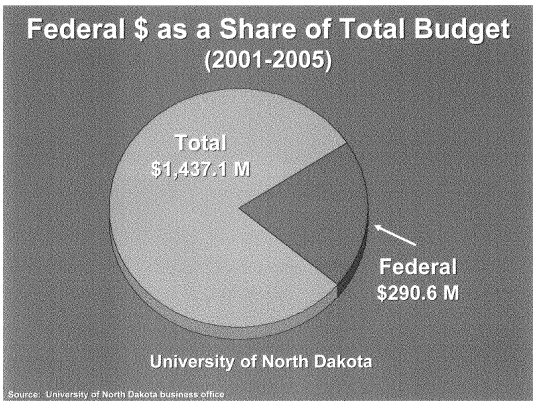
She always used to tell us in our household there are three priorities. No. 1 is education, No. 2 is education, No. 3 is education, and we got the message.

My cousins and my brothers, 13 of us in our generation, every single one of us has an advanced degree. And, it was because of the absolute determination of my grandparents that that happened. They were people of middle-class means, but they set aside funds to help everybody get an advanced degree because they believed that's the way you had the greatest chance of taking advantage of your God-given talent. My grandmother was right about many things and she was certainly right about that.

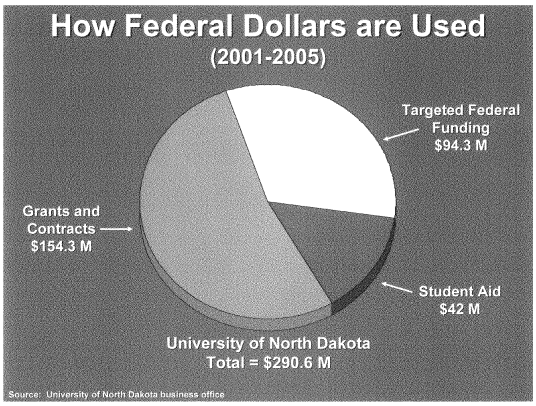
One of the things we need to emphasis is that investing in a first-class educational system is one of the very best ways we can take advantage of opportunity in this country. If we are going to remain the world's leader, we have to be the leader in education, in research, and in training our workforce. We will not remain No. 1 if we are not number one in education, in training, in research, and in developing an entrepreneurial spirit.

We know, it does not take a school to form an entrepreneurial spirit. We have seen lots of examples of people who are great entrepreneurs who did not have advanced education. But what we do know is that we need that entrepreneurial spirit matched with people who do have advanced training and advanced education. It is that kind of partnership that sparks economic opportunity.

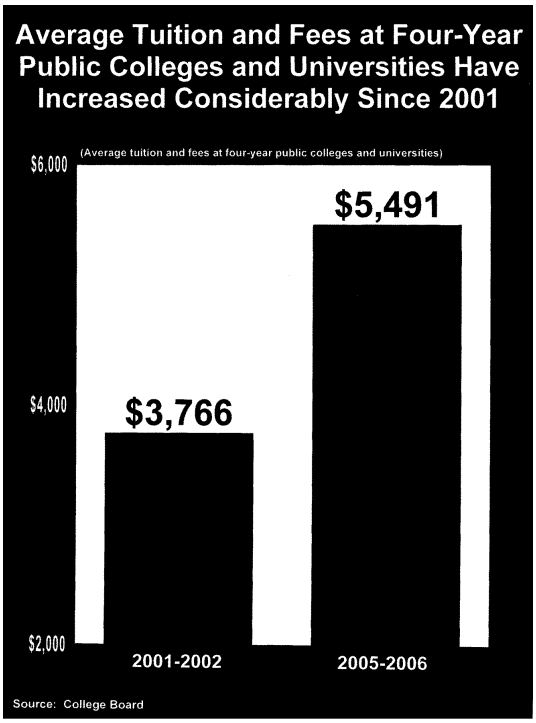
Let me turn now to just a number of slides that we think it are important to get in the record. First, the annual Federal investment at UND has grown substantially since 2001, rising from $45 million in 2001 to $66 million in 2005. These are Federal dollars well spent.



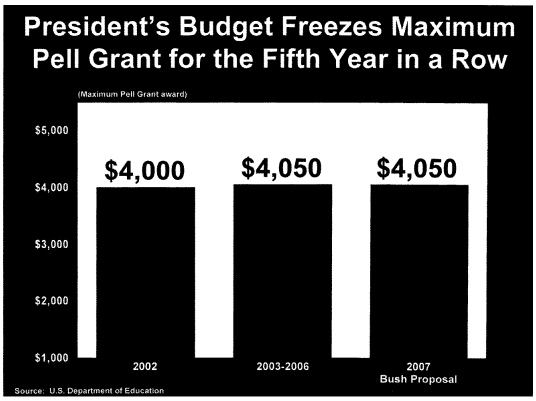
Let us go to the second slide. The Federal investment at UND makes up a significant portion of the University's total budget. From 2001 to 2005, UND received over $290 million in Federal assistance, which was about 20 percent of its total budget during that period of time.



Let us go to the third slide. The breakdown of those Federal dollars was as follows: $154 million for grants and contracts, $94 million in targeted Federal funding, and $42 million for student aid.



Let us go to the next slide. North Dakota has received significant Federal investments in education. I might add that NDSU has also had a very significant, even larger, share of its budget coming from Federal sources because it is a land-grant university.

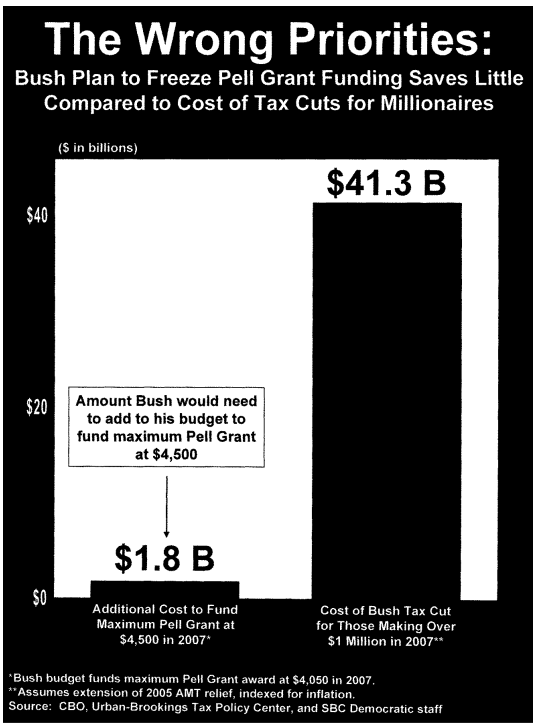


While there have been significant Federal investments, it is important to remember that students are still struggling to afford higher education. Average tuition and fees at 4-year public colleges and universities have increased substantially over the last few years, climbing from just over $3,760 in the 2001–2002 school year to almost $5,500 in the 2005–2006 school year. I am hearing from many sources as I go across the State that that is putting increasing pressure on students and their families.

I think it is undeniably the case, especially for those families who have a number of children. We all know that tuition and fees do not cover the full cost of someone's education for a year. All of the other attendant costs are added to it, and this is creating growing pressure on the students and their families.

Let us go to the next slide. At the same time, the budget that has been proposed by the President for the next year proposes to freeze the maximum Pell Grant award at $4,050 for the fifth year in a row. That I think most objective observers would say is simply inadequate. If we don't provide more assistance, many students

simply will not be able to afford an advanced education or they will have to interrupt their education in order to secure more funds.



Let me go to the sixth slide. We must decide as a society what we value, what is really important to us and where we want our Federal dollars invested. I would argue that the proposal from the administration to freeze the maximum Pell Grant award, while leaving in place and continuing tax cuts for the very wealthiest among us, represents the wrong priorities for our nation.

Figure 1. Number of Proposals Submitted and Funded: FY 1995-FY 2005

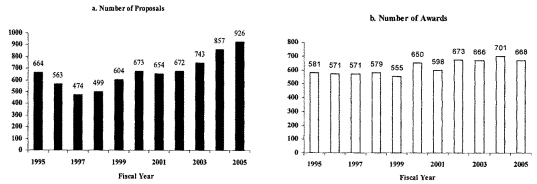
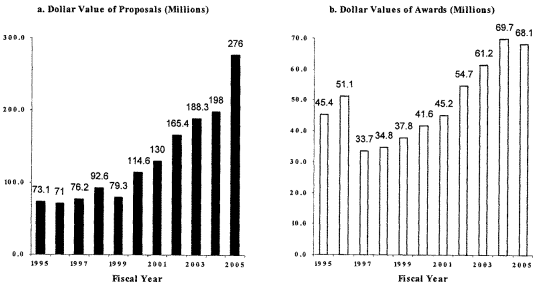


Figure 2. Dollar Value of Grants and Contracts: FY 1995-FY 2005



Let me just put in perspective the comparison here. The cost for the tax cuts for those earning over $1 million a year in 2007, the tax cuts for just that group, will cost over $41 billion for that year alone. It is stunning, $41 billion for just the tax cuts for those earning over $2 million a year.

By comparison, it would cost 1/20 of that amount to fund the maximum Pell Grant award at $4,500 instead, of the proposed freezing it for the fifth year at just over $4,000.

Let's go to the final slide. These are proposals that are in the President's budget for higher education for next year. In addition to freezing the maximum Pell Grant award for the fifth year, the budget from the administration freezes funding for other key student aid programs, including Supplemental Educational Opportunity Grants, Work-Study, and TRIO Student Support Services.

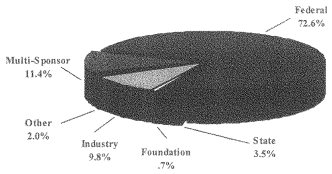
Table 1. Grants and Contracts at UND by Source: FY 2005

Source of Funding	Amount	Amount	Percentage
Federal Government		$49,460,019	72.6%
State Government		2,367,217	3.5%
Foundation		466,901	0.7%
Industry		6,643,368	9.8%
Other		1,405,572	2.0%
Multi-Sponsor		7,787,612	11.4%
Federal and Foundation	$ 20,000		
Federal and Industry	1,032,010		
Federal and Other	2,278,009		
Federal and State	4,454,622		
Federal, State and Industry	2,971		
TOTALS		$68,130,689	100.0%

The "Multi-Sponsor" awards are primarily "pass-through" funds provided by a federal agency to a state, industry or other agency which, in turn, entered into an agreement with the University to pass those federal funds forward.

The federal government, the principal provider of external funding, awarded the University $49,460,019 (72.6 percent) in grants and contracts.

Figure 3-3. Sources of Grants and Contracts Funding: FY 2005



In addition, the budget before us eliminates not just cuts, funding for TRIO Upward Bound and Talent Search, Perkins Loans, Leveraging Educational Assistant Partnerships, for GEAR-UP, Teacher Quality Enhancement Grants, Byrd Honors Scholarships, and vocational education. All of those programs are zeroed out. No funding.

Now, these are choices that are going to be made in the next weeks in Washington. What are our values? What are the things that we hold dear? What are the things that are important? I am known in Washington as a deficit hawk, somebody who believes that deficits do hurt us in the long-term and that, over time, it is critically important for us to balance our budget. But within that context, I believe education should be our top priority because I see it as an investment in our future.

If we aren't the best trained and the best educated, we will not long remain the strongest nation in the world. So that's the challenge before us. What are our priorities? What are the things we value, and what are the things we are going to invest in?

With that, I want to turn to our very distinguished panel. I have asked all the witnesses be made a part of one panel. If somebody needs to leave, as I know that there are many pressing things people have to do after you've testified, we would certainly understand that.

Let me welcome this panel, Dr. David Wilson, Vice President for Health Affairs and Dean of the School of Medicine and Health Sciences; Dr. Barry Milavetz, the Associate Vice President for Research at the University of North Dakota; Dr. Gerry Groenewold, the Director of the Energy and Environmental Research Center; Dr. Alice Hoffert, the Associate Vice President for Enrollment Management; Mr. Bruce Gjovig, the Director and Entrepreneur Coach for the Center For Innovation and Director of Technology Incubator and Rural Technology Center; and Dr. Delore Zimmerman, the President and CEO of Praxis, Incorporated, of Grand Forks.

We also are joined by two TRIO students, Logan Tong and Gary Moore. Gary is a veteran. We are delighted to have them. We are delighted to have all of the witnesses.

We would like to start with Dr. Wilson. We have asked each of you to hold your testimony to 7 minutes or thereabouts. We are not going to be too strict about that, but we would very much like to have your testimony and then be able to ask questions when all have provided their testimony.

With that, a special welcome to you, Dr. Wilson. Thank you for being here.

DR. WILSON. Thank you, Senator Conrad.

Senator Conrad and Members of the Committee, my name is Dr. H. David Wilson. I am the Vice President for Health Affairs and Dean at the University of North Dakota School of Medicine and Health Sciences. I'm pleased to have the opportunity to submit this testimony to the committee.

The University of North Dakota, the School of Medicine and Health Sciences, Grand Forks, and this region would not be the same without the tremendous impact our Federal support has upon all of us. The economic impact of UND upon this region is about one billion dollars. At the outset, let me thank you, Senator Conrad, for your personal hand in helping to accomplish this.

The ability to secure Federal dollars allows our university to attract and maintain outstanding teachers, scientists, and other scholars to make for an intellectually stimulating university and community. The university then helps to produce the future physicians, lawyers, business tycoons, teachers, nurses, scientists, and other talented people to make a better, more vibrant North Dakota, America, and world.

The Federal support that has come to the School of Medicine and Health Sciences has been essential to achieving our track record of helping to meet the health care work force needs of the State. Looking across the State, the school has produced over 45 percent of North Dakota physicians, 91 percent of physical therapists, 62 percent of occupational therapists, 45 percent of clinical laboratory scientists, 88 percent of the cytotechnologists, and 75 percent of the physician assistants for our State.

As impressive as this is, we know we can and need to do an even better job in the future to help ensure a strong, stable health care delivery system for our State.

I want to focus on just a few Federal initiatives that greatly benefit the medical school.

The ability of our school to compete for EPSCoR dollars from the Federal and State government has allowed us to attract and give startup money to new scientists for our school. Without those dollars, we could not compete with the more wealthy States and put together competitive research labs for North Dakota. Today, we have recruited some of the best and brightest scientists and they are successful.

To give you just one example, because of EPSCoR money, we recruited Dr. Mike Ebadi, one of the foremost Parkinson's disease researchers in the world. He then recruited five outstanding young neuroscientists, again greatly assisted with EPSCoR funds.

This led to a new sophisticated neuroscience research laboratory devoted to neurodegenerative diseases followed by a 10 million dollars COBRE (Centers of Biomedical Research Excellence) research project focusing on diseases like Alzheimer's disease, Parkinson's disease, and other related conditions.

I must point out that about 75 percent of these moneys from the Federal Government helped to attract postdoctorate level research technicians and other people and provide good jobs and people that end up benefiting our community not only with their tax dollars but also with their intellectual capacity making this a better place to live.

Our Center for Rural Health is heavily dependent upon Federal support. With these Federal funds, the center has 15 programs that reach the far corners of the State. The State of North Dakota is affected by these moneys. The center also operates national projects, including the highly successful Rural Assistance Center, which serviced over a quarter of a million visits to its Web site this last year alone.

The Rural Assistance Center, the only such facility in the nation, serves as a repository for all information related to rural health and other areas for our entire country. It has been utilized by individuals in several foreign nations as well. I want to thank you personally, Senator, for working hard to help maintain funding for these vital units.

Our Center for Health Promotion and Prevention Research is another example of Federal support doing great things for our State by developing models that promote health and will be useful not just for North Dakota but for other rural States; in fact, for every State in the union.

Dr. Vogeltanz-Holm and her colleagues are working in eight schools across North Dakota assessing third graders to encourage our youth to eat properly and exercise to avoid obesity, a major problem in our nation, and their project is working. They are also working with youth to choose not to smoke and to avoid dangerous drugs like methamphetamines.

I would like to quote from a summary of one representative school, the Burlington North Dakota Elementary School. And I quote, The great news is that after only 1 year of CATCH, the

name of this program, our children have increased their knowledge about healthy eating, increased their consumption of fruits and vegetables, and their level of vigorous daily physical activity. They have also decreased their consumption of fats and sweets and the number of our children in the overweight category has also decreased from 20.9 percent to 13.3 percent; however, there is still a lot of room for improvement. Our children need to be eating more fruits and vegetables every day and some need to limit the time they spend in front of the television or playing video or computer games, end quote.

While we have excellent federally supported initiatives underway, I do not want you to return to Washington thinking that all is well in North Dakota. We understand the difficult choices Congress must make when it comes to the budget, but the wrong choices, which you've pointed out, will make it much more difficult to adequately address our State's health care needs in the long-term.

The loss of Title VII dollars and other needed support is a crisis for us and, frankly, for the nation. Ensuring a competent and adequate supply of health care professionals is critical. Let me give you just one example and I could share many.

The President's fiscal year 2007 budget zeroes out the Geriatric Education Centers Program. North Dakota was just recently added to the small set of Geriatric Education Centers across the country. Having just completed our first year of this 5-year initiative that involves training health professions programs across the State, the Federal program is now slated for termination.

This means we will lose over 1.7 million dollars that could have helped to bring better care and research needed for our elderly population. Given the graying of America, this is the wrong time to be pulling funds from programs designed to train health professionals in geriatrics.

There is also a set of rural-specific safety net programs that are at risk of being terminated, yet are critically important to North Dakota. These programs, managed by the medical school, put resources directly into the health infrastructure of North Dakota's rural communities.

For example, the Rural Hospital Flexibility Grants Program supports quality improvement and emergency services among other efforts and, like the GEC program, is slated to be eliminated. When quality of health care has taken on such significance in terms of our ability to measure and improve the care that patients receive, we need to ensure that our rural hospitals and communities aren't left behind. In fact, this is an area where significantly more resources to support information technology and staff education are extremely important.

We are also concerned about the decline of rural representation on the Medicare Payment Advisory Commission. Given the influential nature of MedPAC's recommendations to the Congress, we need to ensure that an appropriate number of people at the table understand the strengths and challenges of delivering health care in rural communities.

We've seen a recent erosion of that much needed voice for rural health and inadequate representation can put our rural health care

systems in North Dakota, and other States similar to us that are highly dependent upon adequate Medicaid reimbursement, at risk.

With regards to special populations, our INMED program is a national model of success in attracting and educating American Indians into medicine. A loss of $500,000 for the INMED program has markedly reduced the number of Native American high school students and middle grade students that we can bring to our campus during the summer to encourage them, No. 1, to go to college and, No. 2, to choose medical careers.

This loss occurs in spite of the fact that when it comes to health care, the American Indians are one of the most underserved populations in the nation. With these and other programs that I don't have time to mention, I'm sure it's clear we have a lot at stake.

You mentioned the problem with tuition, and I can tell you while medical school tuition is still below average for our region, we've had to increase it to now a bit over $18,000 per year. It's projected that our incoming class of medical students for this fall when they graduate will have a debt of $125,000 or thereabouts to contend with.

I can tell you this makes it increasingly difficult to attract students to go into family medicine and other low-paying specialties like pediatrics. I'm a pediatrician, and I think that makes it very difficult for us particularly to serve the rural health care needs of the nation.

In closing, on behalf of the School of Medicine and Health Sciences and the entire university, I thank you again for the opportunity to submit this testimony to the committee and we would welcome any questions that you may have.

[The prepared statement of Dr. H. David Wilson follows:]

Senate Budget Committee Hearing
Friday, June 2, 2006
Testimony to the Committee

Senator Conrad and members of the Committee, my name is Dr. H. David Wilson and I am the Vice President for Health Affairs and Dean at the University of North Dakota School of Medicine and Health Sciences. I am pleased to have the opportunity to submit this testimony to the Committee.

The University of North Dakota, the School of Medicine and Health Sciences, Grand Forks, and this region would not be the same without the tremendous impact our federal support has upon all of us. The economic impact of UND upon this region is about $1 billion. At the outset, let me thank you, Senator Conrad, for your personal hand in helping to accomplishing this.

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I want to focus on just a few federal initiatives that greatly benefit the Medical School:

1) The ability of our school to compete for EPSCoR dollars from the federal and state government has allowed us to attract and give "start up" money to new scientists for our School. Without those dollars, we could not compete with the more wealthy states and put together competitive research labs for North Dakota. Today, we have recruited some of the best and brightest scientist and they are successful. To give you just one example, because of EPSCoR money, we recruited Dr. Mike Ebadi, one of the foremost Parkinson's disease researchers in the world. He then recruited five outstanding young neuroscientists – again, greatly assisted with EPSCoR funds. This led to a new, sophisticated neuroscience research lab devoted to neurodegenerative

diseases followed by a $10 million COBRE (Centers of Biomedical Research Excellence) research project focusing on diseases like Alzheimer's disease, Parkinson's disease, and other related conditions.

2) Our Center for Rural Health is heavily dependent upon federal support. With these federal funds, the Center has over 15 programs that reach to the far corners of the state. The Center also operates national projects including the highly successful Rural Assistance Center which serviced over a quarter of a million visits to its website last year alone. The Rural Assistance Center, the only such facility in the nation, serves as a repository for all information related to rural health and other areas for our entire country. It has been utilized by individuals in several foreign nations as well. I want to thank you personally Senator Conrad for working hard to help maintain funding for these vital units.

3) Our Center for Health Promotion and Prevention Research is another example of federal support doing great things for our state by developing models that promote health and will be useful not just for North Dakota but for other rural states as well. Dr. Vogeltanz-Holm and colleagues are working in eight schools across North Dakota assessing 3rd graders to encourage our youth to eat properly and exercise to avoid obesity – and it is working. They also are working with youth to choose not to smoke and avoid dangerous drugs like methamphetamines. I would like to quote from the summary of one representative school; the Burlington North Dakota Elementary School. "The great news is that after only one year of CATCH, our children have increased their knowledge about healthy eating, their consumption of fruits and vegetables, and their level of vigorous daily physical activity. They have also decreased their consumption of fats and sweets and the number of our children in the overweight category has also decreased from 20.9% to 13.3%, however there is still a lot of room for improvement. Our children need to be eating more fruits and vegetables every day and some need to limit the time they spend in front of the television or playing video or computer games".

While we have excellent federally supported initiatives underway, I do not want you to return to Washington thinking that all is well in North Dakota. We understand the difficult choices Congress must make when it comes to the budget, but the wrong choices will make it much more difficult to adequately address our state's health care needs in the long term. The loss of Title VII dollars and other needed support is a crisis for us and frankly, for the nation. Ensuring a competent and adequate supply of health care professionals is critical. Let me give you just one example—I could share many. The President's FY 2007 budget zero's out the Geriatric Education Centers Program. North Dakota was just recently added to the small set of GECs across the country.

Having just completed our first year of this five year initiative that involves health professions programs across the state, the federal program is now slated for termination. This means we lose over $1.7 million that could have helped to bring better care and research needed for our elderly population. Given the graying of America, this is the wrong time to be pulling funds from programs designed to train health professionals in geriatrics.

There is also a set of rural-specific safety net programs that are at risk for being terminated, yet are critically important to North Dakota. These programs, managed by the medical school, put resources directly into the health infrastructure of North Dakota's rural communities. For example, the Rural Hospital Flexibility Grants Program supports quality improvement and emergency services among other efforts and, like the GEC program, is slated to be eliminated. When quality of health care has taken on such significance in terms of our ability to measure and improve the care that patients receive, we need to ensure that our rural hospitals and communities aren't left behind. In fact, this is an area where significantly more resources to support information technology and staff education are extremely important.

We also are concerned about the decline of rural representation on the Medicare Payment Advisory Commission. Given the influential nature of MedPACs recommendations, we need to ensure that an appropriate number of the people at the table understand the strengths and challenges of delivering health care in rural communities. We've seen a recent erosion of that much needed voice for rural health and inadequate representation can put our rural health care systems in North Dakota that are highly dependent on adequate Medicare reimbursement at risk.

With regard to special populations, our INMED program is a national model of success in attracting and educating American Indians into Medicine. The loss of $500,000 for the INMED program has markedly reduced the number of Native American high school students we can bring to our campus during the summer to encourage them to go to college and choose medical careers. This loss occurs in spite of the fact that when it comes to health care, American Indians are one of the most underserved populations in the nation. With these and other programs that I don't have time to mention, I'm sure it's clear that we have a lot at stake.

In closing, on behalf of the School of Medicine and Health Sciences and the entire University, I thank you again for the opportunity to submit this testimony to the Committee and would welcome any questions that you may have.

C:\program files\qualcomm\eudora\attach\TestimonyForConradJune06.doc

SENATOR CONRAD. Thank you, Dr. Wilson, for an excellent testimony. It is exactly what I am looking for here today. I think you have provided substantiation in a very clear and compelling way of the contribution that Federal dollars are making for the institution, and the contribution the institution is making to the State.

The testimony you provided in terms of the number of physicians in our State that come from the university, as well as all the other health professionals, is precisely what our colleagues are looking for.

With that, I welcome Dr. Milavetz, the Associate Vice President for Research.

DR. MILAVETZ. Senator Conrad and Members of the Committee, my name is Dr. Barry Milavetz and I am the Associate Vice President for Research at the University of North Dakota. I'm pleased to have the opportunity to submit this testimony to the committee. The Vice President for Research, Dr. Peter Alfonso, is unable to testify today because of a prior commitment.

I would like to briefly discuss the important role that Federal funding plays in research at the University of North Dakota and

also its economic impact on the five State North Central Region encompassing North Dakota.

I will do this by sharing with you a short PowerPoint presentation.

As you indicated before, sponsored programs at the University of North Dakota have increased from approximately 45 million dollars in fiscal year 2001 up to about 80 million dollars in fiscal year 2005. And of that, approximately 38 million dollars in 2001 and now 60 million dollars in 2005 comes from Federal funds.

We also track, however, sponsored programs through expenditures, and although the curves are essentially the same, the actual dollars vary somewhat. It looks on this curve as if we had a bad year in 2005 and, in fact, that is more apparent than real. We track numbers monthly and I can tell you—I'm very happy to tell you, in fact—that this year looks like it's going to be a banner year in part due to the help of our senators. We are very close to having $100 million dollars in sponsored programs this year. If not a hundred, we will be very close to it.

As you pointed out——

SENATOR CONRAD. That has a nice ring to it, right?

DR. MILAVETZ. It does. 100 million dollars is nice.

As you pointed out—and we track these numbers also year by year—approximately 70 to 75 percent of year to year actually is Federal dollars.

The economic impact of this research dollars is tremendous, both at UND, within the city, North Dakota, and the North Central Region. The bottom line is that approximately 80 million dollars of research done through the University of North Dakota comes out to be about 163 million dollars in total economic output. That includes about 1,584 jobs, of which about 724 are right here on campus.

As a legislator, I'm sure you're interested in knowing that that also equates to about 5.9 million dollars in State and local taxes and about 25 and a half million dollars in Federal taxes, not inconsequential amounts.

One of the programs I would like to emphasize is the EPSCoR program. EPSCoR is an acronym. It stands for Experimental Program to Stimulate Competitive Research. It was initiated through the National Science Foundation in the early 1980's. It has now grown to include a number of other Federal agencies, including the NIH, NASA, DoD, and DoE as well as others. As you can see here these are the present awards to the University of North Dakota from each one of these agencies. It's quite a substantial sum of money.

The EPSCoR program is particularly important to us because what it's primarily designed to do is to build infrastructure, and it does this by building infrastructure in terms of hardware and as well as building infrastructure through the development of human resources. It builds hardware by supplying equipment, startup packages, faculty seed grants, graduate student assistantships, all of which contribute directly to being able to do research.

It also supplies equipment so that we can set up centers. One of the centers that we have here on campus is called the Sunrise Project, which is for sustainable energy. It has also allowed us to build a high-performance computing center.

The development of human resources is also significant because it allows us to give undergraduate students that come from smaller colleges, including tribal colleges, the opportunity to do research. This is an opportunity that they otherwise would not have.

I'll briefly discuss a couple of the more successful aspects of this program. Through North Dakota EPSCoR, we have been able to hire 100 researchers in North Dakota.

That is not just at UND. It also includes NDSU, but the overall program is very effective in that way.

I also point out the EPSCoR program benefits all education in the State of North Dakota. It's not just at the two flagship universities. And also equally important over 550 graduate students and over 675 undergraduate students have had the opportunity to do scientific research through this program.

I just briefly would like to mention a couple of the major research projects presently being funded by the Federal government. Within the College of Arts and Sciences—and this is actually a joint project also with the School of Engineering—we have the Sunrise Project, which is a sustainable energy research project, primarily targeting things like alternative energy sources, use of biodiesel, biojet fuel. That's funded to the tune of about 2 million dollars.

Within the School of Engineering, there are also programs in special coatings and a new award that was just received about 2 months ago to develop remote sensing with real time video cameras on UAVs and things like target acquisition that's being funded to the tune of about 6.7 million dollars.

The School of Aerospace Sciences is becoming a Center of Excellence for UAVs. They recently received an award of one million dollars.

Within the School of Medicine, as Dean Wilson has pointed out, there's approximately 35 million dollars that's focused on the area of neurosciences. This is a good example of the synergism that the Federal Government awards allow us to undertake. We have a neuroscience building. Within that building, we have a PET scanner, a positron emission tomography scanner and a cyclotron to make the radioisotopes necessary for the PET scanner. And also with in COBRE and INBRE awards, we can hire the faculty members, postdocs and graduate students to actually do the research.

As Dean Wilson pointed out, this research primarily is targeted for neurodegenerative diseases, such as Parkinson's disease and Alzheimer's disease, but it also has a major focus on addiction, primarily cocaine addiction.

Within the School of Nursing, I'm very happy to report, we have been awarded a building grant. The photograph is an architect's rendering of the new building. The Northern Plains Center for Behavioral Research, that's going to be a multidisciplinary research center for primarily nursing but also aviation and psychology.

And, finally, I'll just mention the Northern Great Plains Center for People and the Environment was recently awarded—actually it's about a year now, a year ago—a 32 million dollar grant to fund what was formerly the National Sciences Foundation's DC–8 Flying Research Platform, which is now being flown out of the University of North Dakota.

On behalf of the Vice President for Research at the University of North Dakota, I thank you again for the opportunity to submit this testimony to the committee and would welcome any questions that you may have.

[The prepared statement of Dr. Barry Milavetz follows:]

United States Senate
Committee on Budget

Statement for the Record
Of
Barry Milavetz, Ph.D.
Associate Vice President for Research
University of North Dakota

June 2, 2006

Senator Conrad and members of the Committee, my name is Dr. Barry Milavetz and I am the Associate Vice President for Research of the University of North Dakota. I am pleased to have the opportunity to submit this testimony to the Committee. The Vice President for Research, Dr. Peter Alfonso, is unable to testify today because of a prior commitment.

I would like to briefly discuss the important role that Federal funding plays in research at the University of North Dakota and its economic impact on the five state North Central region encompassing North Dakota. In order to demonstrate the significance of Federal funding on research, I have appended a copy of the executive summary of our latest annual report summarizing research at the University. Last year we had approximately $80 million in sponsored awards of which $68.1 million consisted of grants and contracts. Importantly the value of all grants and contracts to the University has almost doubled since 1997. Of this total sponsored research, approximately 73% was provided by the Federal Government.

The economic impact of research at the University of North Dakota is tremendous. Within the five state North Central region encompassing North Dakota, an economic impact report indicates that University of North Dakota research in fiscal year 2005 generated an additional $163 million in economic impact, created 1,584 jobs, and generated$5.9 million in state and local taxes and $25.6 million in Federal taxes. I have appended a copy of the economic impact report titled "The economic impact of research at the University of North Dakota: fiscal year 2005" to this testimony.

On behalf of the Vice President for Research of the University of North Dakota, I thank you again for the opportunity to submit this testimony to the Committee and would welcome any questions that you may have.

UNIVERSITY OF UND NORTH DAKOTA

Senate Budget Committee Hearing

June 2, 2006
Grand Forks, ND

Barry Milavetz, Ph.D.
Associate Vice President for Research
701-777-4278
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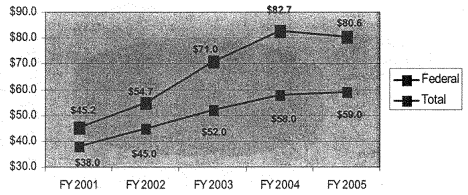
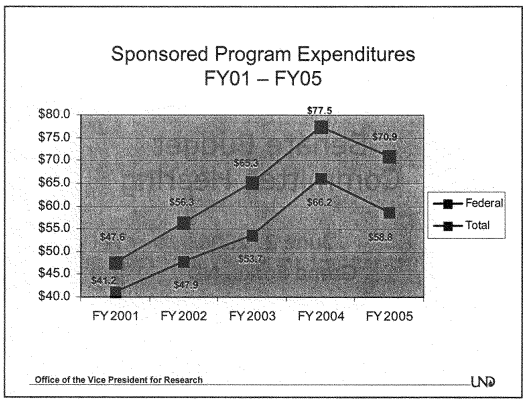
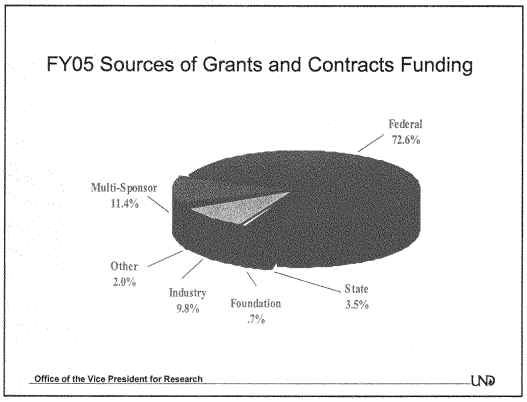
Sponsored Program Awards FY01 – FY05




Sponsored Program Expenditures
FY01 – FY05
$80.0
$75.0
$70.0
$65.0
$60.0
$55.0
$50.0
$45.0
$40.0
$77.5
$70.9
$65.3
$66.2
$56.3
$58.8
$47.6
$53.7
$41.2
$47.9
FY 2001
FY 2002
FY 2003
FY 2004
FY 2005
Federal
Total
Office of the Vice President for Research
UND


FY05 Sources of Grants and Contracts Funding
Federal
72.6%
Multi-Sponsor
11.4%
Other
2.0%
Industry
9.8%
Foundation
.7%
State
3.5%
Office of the Vice President for Research
UND

Economic Impact Summary for Fiscal Year 2005

Impact Area	UND Research Impact	
	Output	Number of Jobs
UND	$ 80,530,000	724
Grand Forks County	36,820,000	495
North Dakota	9,520,000	65
North Central Region	35,920,000	300
Total	**$ 162,780,000**	**1,584**
	S/L Taxes	**Federal Taxes**
Grand Forks County	$ 2,500,000	$ 15,170,000
North Dakota	320,000	2,320,000
North Central Region	3,090,000	8,100,000
Total	**$ 5,910,000**	**$ 25,590,000**

Office of the Vice President for Research UND

North Dakota EPSCoR Federal Program Grants

- NSF EPSCoR $ 6.0 M
- NIH IDeA/INBRE $16.0 M
  - Institutional Development Award/ IDeA Networks of Biomedical Research Excellence
- NIH COBRE $10.3 M
- NASA $ 250 K
- DoD $ 458 K
- DoE $ 1.5 M

NSF EPSCoR

Office of the Vice President for Research UND

ND EPSCoR RII Programs

Research Infrastructure Improvement

University Development	Research Centers Development	High Performance Computing
New Faculty Startups *Faculty Seed Grants* *Grad Student Assistantships*	*Spintronics* *Sustainable Energy*	

Human Resources Development

AURA	FLARE	NATURE
Advanced Undergraduate Research Awards	Faculty Laboratory And Research Experience	Nurturing American Tribal Undergrad Research & Ed.
Pathway to Graduate School	*2/4-year ND Institutions*	*ND Tribal Colleges*

Technology Transfer

STTAR	FITT	RCMP
Students in Technology Transfer And Research	Faculty In Technology Transfer	Research Commercialization Market Partnerships
Industry/University R&D	*Industry/University R&D*	*Technical & Market Assessment*

Office of the Vice President for Research UND

Successes

- North Dakota now ranked 7th for University R&D per $1,000 Gross State Product.
- The state's *per capita* ranking in NSF funding increased from 52nd in 1986 to 29th today, representing the greatest improvement of all EPSCoR states ranked in 1986.
- North Dakota consistently places in the top five funding *per capita* at USDA, DOE, and EPA.
- ND EPSCoR has facilitated hiring more than 100 researchers in North Dakota.
- ND EPSCoR's programs have supported faculty and students in **ALL** 11 NDUS institutions and the state's 5 Tribal Colleges.
- Over **550 graduate students** and over **675 undergraduates** have received research education through ND EPSCoR.
- Over **185 students** and **13 faculty members** have worked on solving technology problems for **72 companies** across the state.
- **18 patents** have been issued for EPSCoR-supported research discoveries and inventions.

Office of the Vice President for Research UND

Select Major Research Projects
Funded by the Federal Government

1. College of Arts and Sciences ($2M)
   - Sustainable energy research
2. School of Engineering ($6.7M)
   - Special coatings and remote sensing with UAVs
3. School of Aerospace Sciences ($1M)
   - UAVs
4. School of Medicine ($35M)
   - Neuroscience building, PET scanner and cyclotron used for studying neurodegenerative diseases and addictions (in conjunction with our COBRE and INBRE awards)
5. School of Nursing ($4M)
   - Nursing building devoted to multidisciplinary research in Nursing, Aviation, and Psychology
6. Northern Great Plains Center for People & the Environment ($32M)
   - DC-8 flying research platform to study the environment

Northern Plains Center for Behavioral Research

Office of the Vice President for Research UND

SENATOR CONRAD. Thank you very much. That was very important testimony and, again, it was right on point with respect to what we are seeking to get here today, which is specifics. You have provided them in significant detail, and they will be very useful. I appreciate it very much.

Dr. Groenewold, welcome. Thank you for hosting us for this hearing of the Senate Budget Committee. I think this is a first to have a formal hearing of the Senate Budget Committee at this location, so thank you very much.

MR. GROENEWOLD. Thank you. Senator Conrad and Members of the Committee, my name is Gerald Groenewold, and I am the Director of the Energy & Environmental Research Center at the University of North Dakota. I'm very pleased to have the opportunity to submit this testimony to the committee. My comments will be largely focused on research and ultimately technology commercialization, standing back a bit initially and looking at it from a fairly broad perspective.

From the dawn of civilization, humans have been experimenting and accumulating knowledge to ensure their survival and improve

their lives. Today, we are continuing that time-tested practice in organized scientific research supporting our goals and aspirations.

Research is absolutely inseparable from societal values and institutions: in other words, to set priorities, to make informed choices, and to realize progress. The great strength of a representative democracy and a market economy is freedom of choice. However, this choice can only be exercised effectively where there are good choices to be made and choice is exercised wisely.

As Mark Twain once said and I think it's relevant here. "There is nothing more frightening than ignorance in action."

In an ever increasingly and technological complex society, these choices and decisions are becoming more and more difficult; thus the need for practical focused research has never been greater and promises to increase into the foreseeable future.

I believe that the Federal Government has a fundamental and ever increasingly critical role in the support of research. Research is a shared responsibility of both industry and society at large, represented by government. In a market economy, industry without government support cannot be expected to invest large amounts of money in researching the technologies needed by society, many of which will not reach commercial application because of technical and financial risks.

Research supported by industry alone typically results in the development of a select group of technologies that minimize risk while still advancing the developing company's competitive advantage. These marginal advances in technology can then be marketed under patent protection to provide incremental improvements in cost and efficiency with guarantees to the user. Advances under this model are so gradual that they cannot address national policy and technological priorities.

On the other hand, commercialization of new technologies is the responsibility of industry guided by clear and consistent government policies.

It is my hope, and that of everyone at the EERC, that Federal funding for research at our nation's universities can be significantly enhanced. However, there is a critical caveat. I believe, we believe, that if our nation is to address essential policy and technological issues in a timely manner we must significantly enhance our focus on practical market-driven research, which emphasizes government/industry partnerships.

The EERC represents a unique model that integrates Federal and industry funding for technology development from basic applied research through engineering development, demonstration, and commercialization, sometimes called RDD&C.

EERC and its Federal and private sector partners have built a closely coupled relationship between the frontiers of scientific knowledge, technology development, and commercial practice that provides practical market-driven solutions to critical barrier issues impeding the development and commercialization of the truly advanced technologies that achieve quantum improvements and in various technological areas.

An essential feature of the EERCs model is that industry buys into the early stages of research and development to ensure the activities are market-driven.

As a result, industry partners have a vested interest in the intellectual property and an incentive to then demonstrate and commercialize the technology. It's my hope that the EERCs model can be replicated throughout our nation.

I'd like to give a few examples of our model and what it is doing and why the Federal investment is so critical.

In the last 19 years, we have had nearly 900 clients here. They have come from 47 countries and all 50 States.

The key to EERC's that business development has been the Federal dollar, which has been utilized to leverage cofunding through partnerships with a wide variety of clients from all over the world. Seventy plus percent of our clients are repeat customers.

We have ten Centers of Excellence here. None would be here without the Federal cornerstone funding. That is the cornerstone that has allowed us to grow through the co-funding and partnerships to develop critical Centers of Excellence, which are in most cases second to none in this country, in some cases the world.

Last fiscal year, we had 405 active contracts here.

Eighty-three percent were with private sector partners, but the majority of the funding was still Federal. The Federal funding is critical to bring the private sector partners here and thus develop relationships and joint ventures, which lead to very practical technology development.

Last year, last fiscal year, 69 percent of our proposals were funded. That's a very high success ratio, one of the highest I know of in the country. It's because the work is very practical. It is all market-driven.

This year to date during fiscal year 1906, and we have about a month left, we have 415 active contracts, the total value of those contracts is 132 million dollars thus far this year.

The world is noticing. Last year we had almost seven million hits on our Web site, 6,983,000 or something like that. We are currently employing about 300 people, 286, 19 positions advertised right now, 18 are new. We fully anticipate being near 500 to 550 in five years.

If we sustain the growth rate we're at right now—and this is our fourth consecutive record year—we will be providing employment, direct and indirect, for approximately 1,200 people in the greater Grand Forks area within 2 years.

None of that, none of that, would be possible without the Federal cornerstone funding. Currently we have 18 technologies in the EERC Foundation, which are moving toward commercial deployment. We signed an agreement with a company in New Jersey last week, and I'm looking at another agreement next week.

SENATOR CONRAD. Can I stop you on that point, because I know from conversations I just had with my colleagues, that it is of special interest to them. Can you just repeat the testimony you just provided? As I heard you say it, you have 18 technologies that are in the EERC Foundation and they are ready for commercialization.

DR. GROENEWOLD. That's correct. They are moving—they are moving toward commercialization. Technically they are ready. The corporate partners are in discussions with us. In almost all cases we have corporate partners who are interested in the technology.

SENATOR CONRAD. Are any of them technologies that you could talk about or are they in a stage where you can give an idea of what kinds of technologies?

DR. GROENEWOLD. Senator Conrad, I can. I can give you an idea. Yes, I can, Senator. It's a wide range of technologies focused on new, innovative, extremely clean energy production technologies, including remote site power generation. There are number of environmental control systems, in particular mercury control, things such as that, that are in those packages.

SENATOR CONRAD. That is very useful because it is exactly what my colleagues have asked me to bring back, specific examples of how Federal investment is impacting the economy in a positive way, and, with energy so much the focus now, that is of special interest to my colleagues.

How are Federal dollars affecting practical solutions to the energy challenges the country faces?

MR. GROENEWOLD. We have a requirement that every Federal dollar be leveraged with nonFederal funds and it can't be in-kind. It has to be in cash. That is necessary in our definition of peer review—someone in the private sector voting with their dollars for what we are doing. So what needs to be understood is that process in that there is, in the initial stages of research, what I would call basic applied research, and the only entity that tends to support that kind of work is the Federal Government. The federal government has a unique and fundamental role, no pun intended, to support the more fundamental, the more basic research.

You're familiar with our Cooperative Agreement with DOE. We voluntarily, in 1989, broke that agreement into two pieces, a basic applied piece, Federal money only, looking at new ideas and concepts that might have commercial potential. The ones that look really promising and have significant commercial potential, we then take to a joint venture program. We bring in joint venture private sector partners.

So in all cases the Federal—the initial Federal funding, if you will—the starter kit, is the catalyst that has initiated every one of those programs.

SENATOR CONRAD. And, without it, I assume none of these technologies would be advancing to a commercialization stage.

DR. GROENEWOLD. I don't know if I could say none would, Senator, but, Senator, I am doubtful. I'm doubtful.

SENATOR CONRAD. Would some have made it on their own because of private sector support?

DR. GROENEWOLD. In some cases, but generally the private sector is reluctant, my testimony indicated earlier, to fund that kind of work.

SENATOR CONRAD. One might say that at the very least, without Federal support, these technologies would not be at the same stage of development and ready for commercialization.

DR. GROENEWOLD. In all sincerity, Senator, I think we would be almost a decade behind in almost all of them .

SENATOR CONRAD. A decade behind?

DR. GROENEWOLD. A decade, uh-huh.

For clarification, commercialization of energy and environmental technologies is a long-term process. We consider ten years to be

typical for taking a good idea to commercial deployment. That's pretty fast. Once in awhile it's less. So with the hesitance on the part of the private sector alone to invest in high risk research, many of these things probably would never happen or, if they had, it would be much later.

SENATOR CONRAD. OK.

DR. GROENEWOLD. Anyway, in summary, it is my belief that enhanced Federal investment in practical market-driven research, development, demonstration, and commercialization is the cornerstone of a successful and dynamic future for our country. The EERC is a proud partner in these efforts and looks forward to facilitating further advancement in this regard.

I leave you with a quote from H.G. Wells. "Human history more and more becomes a race between education and catastrophe." Education, in the broadest sense of the term, must win. Federal investment in knowledge is fundamental to achieving that goal.

On behalf of the EERC, I thank you again for the opportunity to submit this testimony to the committee and welcome any questions.

[The prepared statement of Mr. Gerald H. Groenewold follows:]

United States Senate
Committee on Budget

Statement for the Record
of
Gerald H. Groenewold
Director
Energy & Environmental Research Center
University of North Dakota

June 2, 2006

Senator Conrad and members of the Committee, my name is Gerald H. Groenewold, and I am the Director of the Energy & Environmental Research Center (EERC) at the University of North Dakota. I am pleased to have the opportunity to submit this testimony to the Committee. While the Committee requested testimony on the broader topic of research, my testimony is focused on the more specific topics of energy and the environment, which are the focus of all activities at the EERC.

From the dawn of civilization, humans have been experimenting and accumulating knowledge to ensure their survival and improve their lives. Today, we are continuing that time-tested practice in organized scientific research supporting our goals and aspirations. Research is inseparable from societal values and institutions: to set priorities, to make informed choices, and to realize progress. The great strength of representative democracy and a market economy is freedom of choice. However, this choice can only be exercised effectively where there are good choices to be made and choice is exercised wisely. Research both expands our choices and encourages wise decisions that are in keeping with the laws of science and human nature.

It is evident today that we as a nation need both a better range of choices and greater wisdom in charting the future of energy supply and environmental protection. Indeed, challenges related to energy and the environment have never been of greater global significance. It is fundamental to human nature to choose the immediate advantage over sacrifice. This has caused us to borrow money and resources from the future to improve our current comforts, which are not shared equitably either here or abroad. We appropriately celebrate growth and innovation as the mainspring of human progress, but if progress is to be sustained for future generations, we must make realistic choices in keeping with fundamental realities – which include a growing world population, limited resources, the pace of technological advancement, and the conflicting interests of a highly diverse world.

Research at the EERC encompasses the broad spectrum of energy and its relationship to the environment. This is an area where we as a nation face difficult choices, in part because we have pursued policies that endeavored to maintain abundant supplies of low-priced energy at the expense of a vulnerable dependency on foreign oil, with the expectation that domestic supplies of natural gas and electricity would keep pace with demand in the face of an uncertain regulatory climate (the legitimate need for additional environmental controls and faltering steps toward deregulation of energy markets). Current energy prices, which can be expected to moderate

somewhat over time, and the continuing challenge of addressing environmental issues have dispelled the illusion that our past energy experience will continue into the future.

It has been wisely observed that we will be compelled in the future to choose, to an unaccustomed degree, between abundant energy supplies, low prices, a pristine environment, economic growth, and energy security. The suggestion that we can resolve energy and environmental problems without sacrifice is dangerously deceitful. There is no pain-free remedy for our addiction to previously low-priced oil or cheap domestic energy. Leadership is urgently needed in Congress to make principled choices which will serve the long-term energy security interests of the country, even when those choices are not in the immediate interests of either the voting public or an energy industry geared to high consumption at relatively low efficiency.

We at the EERC believe that diversity of energy supply and a clean environment are essential goals that cannot be compromised. The greatest environmental concern of our time, global warming, is a problem of potentially immense consequence which no one fully understands. While the extent of anthropogenic warming is still uncertain, there should be no question regarding the need to take greater action to reduce carbon emissions and to adapt to their possible effects. Simple solutions to this and other energy problems based principally on conservation, energy efficiency, and transition to renewable energy are not adequate in a world that is critically dependent on fossil resources for fuel, food, and fiber. Securing future energy supplies will require contributions from all economic resources. Coal, oil, and gas will continue to be a mainstay for decades to come, but they must be used far more efficiently and be integrated with carbon sequestration. Use of renewable energy from biomass, wind, and solar must be accelerated through government incentives that are consistent with a market economy. Nuclear energy will need to be advanced under guidelines that address plant safety, nuclear waste disposal, and nonproliferation of nuclear weapons. Deliberate actions will be needed to change our mix of energy supply and environmental controls, but the rate of change must be gradual to account for the effect of energy supply and price on national economies. The key to implementing change is further research and development on advanced technologies for improving the extraction, conversion, and use of energy from all resources.

The commercialization of new energy technologies is the responsibility of industry, guided by clear and consistent government policies. Research, on the other hand, is a shared responsibility of both industry and society at large, represented by government. In a market economy, industry without government support cannot be expected to invest large amounts of money in researching the wide diversity of technologies needed to ensure our energy future, many of which will not reach commercial application because of technical and financial risks. The industry model typically results in the development of a select group of technologies that minimize risk while still advancing the developing company's competitive advantage. These marginal advances in technology can then be marketed under patent protection to provide incremental improvements in cost and efficiency with guarantees to the user. Advances under this model are so gradual that they cannot address policy priorities. The risk of failure in applying new technologies becomes the subject of litigation that does nothing to advance the technology.

The EERC represents a unique model that integrates federal and industry funding for technology development from basic applied research through engineering development, demonstration, and commercialization (RDD&C). This model for partnership with government, industry, and university-based science and engineering was initiated after defederalization of the EERC as a

DOE center in 1983 with the goal of advancing objectives shared by DOE and industry on topics that would not be adequately addressed by the private sector alone. The EERC is unique in the United States for its successful transition from a DOE Energy Technology Center with a single lead mission in low-rank western U.S. coals to a diversified center addressing all fossil and renewable resources and related environmental challenges in a fully at-risk market environment. The EERC and its federal and private sector partners have built a closely coupled relationship between the frontiers of scientific knowledge, technology development, and commercial practice that provides practical market-driven solutions to critical barrier issues impeding the development and commercialization of the truly advanced technologies that achieve quantum improvements in efficiency and environmental control.

The EERC's Cooperative Agreement with DOE initially focused on long-term fundamental research which was of limited interest to industry for cofunding. After an initiative proposed by the EERC in 1989, the Cooperative Agreement was modified to include both a Basic Applied Research Program designed to generate fundamentally new insights for technology development and a larger Joint Venture Program supporting technology development and commercialization to be cost-shared on a cash basis by nonfederal funding organizations at levels of 50% or higher (the level of nonfederal cost share was 64.7% in 2005). An essential feature of the EERC model is that industry buys into the early stages of research and development to ensure the activities are market-driven. As a result, the industry partners have a vested interest in the intellectual property and an incentive to then demonstrate and commercialize the technology. To date in FY06, the Center has had 415 active contracts with government and private sector partners, with a total value of nearly $132 million. Current and past major initiatives have focused on clean coal technologies; alternative liquid fuels from coal and biomass; gasification and cofired combustion of coal and biomass; oxygen-fired combustion; high-temperature heat exchangers for indirect-fired combined-cycle power systems; mercury control under the EERC's Center for Air Toxic Metals®; new technologies for hydrogen production and utilization under the EERC's National Center for Hydrogen Technology; sequestration of carbon dioxide under the Plains CO_2 Reduction (PCOR) Partnership; enhanced recovery of oil and gas from existing and emerging resource bases; management of water supply and wastewater treatment for energy systems, including water recovery from stack gas; and the integration of wind power and other renewable energy sources with electric generation from fossil fuels. In addition, the EERC has provided technical assistance as well as training opportunities through short courses and conferences to resolve operating problems that limit the efficiency and availability of existing combustion and gasification power systems. The EERC is continuing to actively recruit partners to advance its program of cooperative RDD&C that will include approximately $45 million in new contract awards in fiscal year 2006.

In summary, it is our belief that federal investment in RDD&C provides a beacon to our nation's environmentally responsible energy future and, in turn, is a cornerstone in our nation's future energy-related infrastructure. The EERC urges continued federal support of energy and environmental research. The EERC is a proud partner in these efforts and looks forward to facilitating further advancement in this regard.

On behalf of the EERC, I thank you again for the opportunity to submit this testimony to the Committee and welcome any questions that you may have.

SENATOR CONRAD. Thank you very much. It was very useful testimony to the committee and especially timely given the discussions that are underway.

Dr. Alice Hoffert, the Associate Vice President for Enrollment Management. Welcome.

DR. HOFFERT. Thank you.

SENATOR CONRAD. It is good to have you here.

Please proceed with your testimony.

DR. HOFFERT. Thank you. Senator Conrad and Members of the Committee, my name is Dr. Alice Hoffert, and I'm the Associate Vice President for Enrollment Management at the University of North Dakota. I'm pleased to have the opportunity to submit this testimony to the committee.

The purpose of the University of North Dakota, the reason we exist, is to provide students with high-quality, accessible, and affordable educational programs through the doctoral and highest professional degree level and to serve the public through high-quality research and public service programs linked to learning.

In order to meet this purpose, this university is committed to preparing students to lead rich, full lives, and to enjoy productive careers and to make meaningful contributions to society by providing them with a high-quality educational experience solidly grounded in the liberal arts.

The mission of enrollment management at the University of North Dakota is to achieve and maintain a student recruitment, enrollment, retention, and completion rate that's appropriate for this university.

In order to met this mission, the Federal partnership and financial support for both Student Financial Aid and the Trio Programs are critical components.

The mission of Student Financial Aid is to provide need-based financial assistance to students who otherwise would be able to—unable to attend the university.

During this past year, 67 percent of UND's student body received financial aid. It is not possible to meet the needs of students and this mission without the Federal investment of funding provided for Student Financial Aid.

The largest source of student aid at the University of North Dakota is the Federal Government. Last year the the Federal Pell Grant program alone provided over 6.6 million dollars for over 26 hundred low-income students at this university.

In addition, the Federal Supplemental Educational Opportunity Grant Program provided almost a million dollars for 1,300 students. Additional Federal student aid was made available in the form of over one million dollars for the Federal Work-Study Program, which allowed almost 3,000 students to work in and off-campus programs. As a result of the Federal Carl D.

Perkins Loan Program, almost 4 and a half million dollars in student loans were provided to over 2,400 of our students.

SENATOR CONRAD. Let me just stop you there, because we have a proposal from the administration to eliminate Perkins loans. What would be the consequence of that?

DR. HOFFERT. If that program were eliminated, this past year the collections that resulted from that program, over 4 and a half million dollars went to student loans. The federally insured student loans are not keeping pace in any way to provide the revenue that our students need in order to continue their education.

So the Perkins loan for 2,400 of our neediest students allowed the institution to provide dollars we wouldn't otherwise be able to provide, and those are the students who don't have many other options. Our Perkins dollars are used for our neediest students.

SENATOR CONRAD. Do you have any sense of how many of those students you would lose if the Perkins Loan Program was eliminated as the administration has proposed?

DR. HOFFERT. Let me answer it a different way. If I were a needy freshman student at the University of North Dakota, I would need about $13,000 to go to school for 1 year.

SENATOR CONRAD. 13,000?

DR. HOFFERT. 13,000 to cover my cost of attendance.

In order to do that, the Federal Pell Grant limitations, the SEOG, the Supplemental Educational Opportunity Grant, limitations——

SENATOR CONRAD. Of course, that's being frozen.

DR. HOFFERT.—would not come one-fourth of the way to meet that cost. Then I can borrow money from the Federal Stafford Program, which is a tremendous program, but as a freshman I would only be able to borrow $2,625.

How would I pay for the rest of those dollars that I need for that education?

As a low-income student, I obviously wouldn't have those resources myself, nor would my family have those resources. So what we would be saying to these students then, and it's a public policy issue, we would be saying you do not have the right to access an education at this university or at most universities or most colleges.

SENATOR CONRAD. That's a pretty sobering assessment. Of these 2,400 students, do you think some significant number of those students would not be able to come here if Perkins were eliminated?

DR. HOFFERT. I would assure you that would be the case. These students would not be eligible to borrow alternative loans on their own. Those alternative loans are based on their credit or their credit history, which they are unlikely to have any, or their families, which again by definition of being low-income students they wouldn't have access to.

SENATOR CONRAD. Remind me of what the Stafford limit goes to in the second year.

DR. HOFFERT. For freshman and sophomore it's—for freshman it's 2,625 and I apologize for not knowing the numbers beyond that. It is minimal.

SENATOR CONRAD. Is it stepped up?

DR. HOFFERT. It is.

SENATOR CONRAD. So it is somewhat of a step-up?

DR. HOFFERT. It is for sophomores, juniors, and seniors.

SENATOR CONRAD. I trust the staff can get that for us to remind me what it is. I have seen those tables, but it would helpful for me to have what happens the second, third, and fourth years. Obviously, we have people who are already going to school here and it would be extremely unfortunate if we had people that were already in school, perhaps doing well in school, and they couldn't continue their educations because these loan funds were not available.

DR. HOFFERT. Thank you. The University of North

Dakota's commitment to low-income, first generation students is demonstrated by our participation in all five of the federally funded TRIO Programs. The TRIO Programs were established by the Federal Government to ensure equal educational opportunity for all Americans regardless of race, ethnic background, or economic circumstances.

As one of the TRIO Programs, Federal funds are provided to the UND Talent Search Program to serve low-income, first generation, potential college students in targeted public middle schools and high schools in eastern and southern North Dakota and northwestern Minnesota.

In addition, Federal funds are made available to the UND Upward Bound Program to serve high school students from northern and central North Dakota and eastern Minnesota during the academic year as well as with a summer program.

UND's Educational Opportunity Center Program is also federally funded and it exists to help residents of the northern half of North Dakota and a portion of northwest Minnesota enroll in the college of their choice. The UND Student Support Services Program receives funds in order to increase retention and graduation rates of eligible UND students and to foster an institutional climate that is supportive of the success of low income, first generation college students and individuals with disabilities.

The purpose of the Federal funds received for the UND Ronald E. McNair program is to prepare undergraduates (juniors and seniors) who are first generation and low-income students or who are from a group underrepresented at the doctoral level for graduate studies.

This is accomplished by providing opportunities to define goals, engage in research, and to develop the skills and student/faculty mentor relationships vital to success at the doctoral level. And as you mentioned earlier, all of those programs are zeroed out in the President's budget.

And while it's important to understand the affected programs and recognize how critical the receipt of Federal student aid and TRIO Programs funding are to the University of North Dakota, the full message is best delivered through the voices of our students. One student who received Federal financial aid and participated in the TRIO Programs recently wrote, "The McNair Program helped me find my dream job."

Another wrote, "I came back to college as an older than average college student, a single mother with four children on food stamps, WIC, and housing assistance. I was also a first generation college student majoring in mathematics. It was obvious I couldn't support my family as a dental assistant, and I had always dreamed I could get my degree and teach. I quickly realized I had a lot of learning to do, and with the help of Student Support Services was able to get the tutoring I needed to finish my degree. All of us have things, people, and events that shape us, and for me it was the TRIO Programs."

Still another wrote, "The feeling I have, after finally attaining a graduate degree, is hard for me to express; although I dreamed of it for so many years; I never believed it would be possible for me. I am the first member of my family to have finished a graduate degree; so it is also a very big deal for them."

I would suggest the words of a particular student sum the value of Federal funding provided in the forms of financial aid and TRIO Programs. This student dropped out of high school when she turned 17. Eight months later she found herself pregnant and without a high school diploma. She received her GED and realized that she had more potential than she thought.

With her daughter—when her daughter was a year old, she went to the TRIO Programs Educational Opportunity Center to find out what she had to do to get into this university. With their help, she was admitted to the University of North Dakota.

She writes, "Since I've started attending UND, I feel like I'm really doing something to change my life and working toward my goal. Now I have moved back to my parents' home and my family or friends watch my daughter while I attend school full time. I no

longer receive government assistance and I'm working part time. Because of all the support I have from family, friends, and other organizations like EOC, I'm able to pursue my dreams and fulfill my potential. Going to college was something that didn't seem realistic a few years ago. Now I know I can do it. I am so blessed to have so many opportunities here and I am really grateful for all the supportive people in my life."

Entire families are also impacted by the partnership between the Federal Government and schools such as the University of North Dakota. One student wrote, "Upward Bound and McNair have provided the tools for me to complete and surpass my goal of reaching a bachelor's degree. Out of nine children in my family, four attended Upward Bound and one attended Indians into Medicine Program. Of the five, two have master's degrees, one has an associate's degree, and I have a Ph.D. I'm the first person who graduated from our reservation high school and tribal community college to receive a Ph.D. If not for the efforts of the TRIO people and their belief in me, I am sure I would not be where I am today."

These are the voices of students who have benefited from the Federal funding, which has provided the financial means and necessary programs to help make their dreams become realty. It doesn't get any better than this, and our delegation from North Dakota has stood firmly behind education and access to education. In a while you'll be hearing from two of our TRIO students and you'll hear their own voice as well.

And for this opportunity on behalf of the University of North Dakota, I thank you again for the opportunity to submit this testimony to the committee and would welcome any questions that you may have.

[The prepared statement of Dr. Alice L. Hoffert follows:]

United States Senate
Committee on Budget

Statement for the Record
Of
Dr. Alice L. Hoffert
Associate Vice President for
Enrollment Management
University of North Dakota

June 2, 2006

Senator Conrad and members of the Committee, my name is Dr. Alice Hoffert and I am the Associate Vice President for Enrollment Management at the University of North Dakota. I am pleased to have the opportunity to submit this testimony to the Committee.

The purpose of the University of North Dakota is to provide students with high-quality, accessible, and affordable educational programs through the doctoral and highest professional degree level and to serve the public through high-quality research and public service programs linked to learning. In order to meet this purpose, this university is committed to preparing students to lead rich, full lives, to enjoy productive careers, and to make meaningful contributions to society by providing them with a high-quality educational experience solidly grounded in the liberal arts.

The mission of enrollment management at the University of North Dakota is to achieve and maintain a student recruitment, enrollment, retention, and completion rate that is appropriate for the University. In order to meet this mission, the federal partnership and financial support for both Student Financial Aid and the TRIO Programs are critical components.

The mission of Student Financial Aid is to provide need-based financial assistance to students who would otherwise be unable to attend the University. During this past year, 67% of UND's student body received financial aid. It is not possible to meet the needs of students and this mission without the federal investment of funding provided for student aid.

The largest source of student aid at the University of North Dakota is the federal government. Last year the Federal Pell Grant Program alone provided $6,661,992 for 2,653 low-income students at this University. In addition, the Federal Supplemental Educational Opportunity Grant Program provided $792,346 for 1,289 students. Additional federal student aid was made available in the form of $1,043,330 for the Federal Work-Study Program which allowed 2,975 students to work in on- and off-campus programs. As a result of the Federal Carl D. Perkins Loan Program, $4,452,068 in student loans were provided to 2,419 of our students.

The University of North Dakota's commitment to low income, first generation students is demonstrated by our participation in all five of the federally-funded TRIO Programs. The TRIO Programs were established by the Federal government to ensure equal educational opportunity for all Americans regardless of race, ethnic background, or economic circumstance.

As one of the TRIO Programs, federal funds in the amount of $430,244 were provided last year to the UND Talent Search Program to serve low-income, first generation, potential college students in targeted public middle/high schools in eastern and southern North Dakota and northwestern Minnesota. In addition, $382,929 of federal funds were made available last year to the UND Upward Bound Program to serve high school students from northern and central North Dakota and eastern Minnesota during the academic year and summer program.

The $350,499 received last year for UND's Educational Opportunity Center Program is to help residents of the northern half of North Dakota and a portion of northwest Minnesota enroll in the college of their choice. The UND Student Support Services Program received $310,710 last year to increase retention and graduation rates of eligible UND students and to foster an institutional climate that is supportive of the success of low income, first generation college students and individuals with disabilities.

The purpose of the $240,043 of federal funds received last year for the UND Ronald E. McNair program was to prepare undergraduates (juniors or seniors) who are first generation and low income students or who are from a group underrepresented at the doctoral level for graduate studies. This is accomplished by providing opportunities to define goals, engage in research, and to develop the skills and student/faculty mentor relationships vital to success at the doctoral level.

While it is important to understand the affected programs and recognize how critical the receipt of federal student financial aid and TRIO Programs funding are to the University of North Dakota, the full message is best delivered through the voices of students. One student who received federal financial aid and participated in the TRIO Programs recently wrote, "… the McNair Program helped me find my 'dream job'." Another wrote, "I came back to college as an older than average college student, a single mother with four children on food stamps, WIC, and housing assistance. I was also a first generation college student majoring in mathematics. It was obvious I couldn't support my family as a dental assistant, and I had always dreamed I could get my degree and teach. I quickly realized I had a lot of learning to do, and with the help of Student Support Services was able to get the tutoring I needed to finish my degree. All of us have things, people, and events that shape us, and for me it was TRIO Programs."

Still another wrote, "The feeling that I have, after finally attaining a graduate degree, is hard for me to express; although I dreamed of it for so many years; I never believed it would be possible for me. I am the fist member of my family to have finished a graduate degree; so it is also a very big deal for them."

I would suggest that the words of a particular student sum the value of the federal funding provided in the forms of student financial aid and TRIO Programs. This student dropped out of high school when she turned seventeen. Eight months later she found herself pregnant and without a high school diploma. She received her GED and realized that she had more potential than she thought. When her daughter was a year old, she went to the TRIO Programs Educational Opportunity Center to find out what she had to do to get into college. With their help she was admitted to the University of North Dakota. She writes, "Since I've started attending UND, I fell like I'm really doing something to change my life and working towards my goal. Now I have moved back to my parent's home, and my family or friends watch my daughter while I attend school full-time. I no longer receive government assistance, and am working part-time. Because of all the support I have from family, friends, and other organizations like EOC, I'm able to pursue my dreams and fulfill my potential. Going to college was something that didn't seem

realistic a few years ago. Now I know I can do it. I am so blessed to have so many opportunities here, and am really grateful for all the supportive people in my life."

Entire families are also impacted by the partnership between the Federal Government and schools such as the University of North Dakota. One student wrote, "Upward Bound and McNair have provided the tools for me to complete and surpass my goal of receiving a bachelor's degree. Out of nine children in my family, four attended Upward Bound and one attended Indians into Medicine Program. Of the five, two have master's degrees, one has an associate's degree, and I have a PhD. I am the fist person who graduated from our reservation high school and tribal community college to receive a Ph.D. If not for the efforts of the TRIO people and their belief in me, I am sure I would not be where I am today."

These are the voices of students who have benefited from the federal funding which has provided the financial means and necessary programs to help make their dreams become reality. It doesn't get much better than this!

On behalf of the University of North Dakota, I thank you again for the opportunity to submit this testimony to the Committee and would welcome any questions that you may have.

SENATOR CONRAD. Thank you, Dr. Hoffert. That was very powerful testimony.

Mr. Gjovig, thank you so much for being here and we look forward to your testimony.

MR. GJOVIG. Thank you. Senator Conrad and Members of the Committee, my name is Bruce Gjovig and I serve as Director and Entrepreneur Coach of the UND Center for Innovation. The center works with innovators and entrepreneurs to launch new ventures and commercialize new innovations and technologies.

We have helped launch over 420 ventures since 1984, resulting in more than 100 million dollars in venture investment, creating something over 4,000 new jobs in the State. Now the center has received five national awards for excellence in innovation and entrepreneurship, and the Forbes Princeton Review ranked UND number 14 on the top 25 listing of America's Most Entrepreneurial Colleges.

I am pleased to have the opportunity to submit this testimony to the committee. My testimony will focus on the importance of Federal funding for economic development through higher ed, specifi-

cally how Federal funds are important in growing entrepreneurs who are vital to our State and nations's future.

Our success is due in large part because of Federal funds, period. The center has raised 26 million dollars for buildings and outreach programs over the years and 6 and a half million or 28 percent has come from EDA, SBA, HUD, USDA, and energy funds. Three and a half million dollars of HUD funds built our first tech incubator.

Senator Conrad, I want to again publicly thank you for advocacy and support in our grant proposals in that whole process.

EDA and HUD provided 20 percent of the funding for our second incubator and the Ina Mae Rude Entrepreneur Center was the first Center for Excellence designated under the new State program. Federal funds made these world-class buildings possible. This infrastructure will serve the entrepreneur community for decades.

We have used Federal funds to secure a four to one match, including leverage of 11 million dollars from successful entrepreneurs supporting the next generation of entrepreneurs and innovators. Federal funds prime the pump to attract other funding. We have bootstrapped the building of a nationally recognized and ranked entrepreneur center with a lot of help from key friends, especially our Federal partners and successful entrepreneurs.

Besides infrastructure, the Federal Government provides vital funds for outreach initiatives, projects and programs so we can connect the talent, technology and training of the university to entrepreneurs and economic developers. The center has received funds from EDA, USDA, SBA, and energy to provide assistance to innovators who could not otherwise afford assistance in any other way.

Two Federal programs are the largest source of seed capital for innovations in the world. They are the SBIR and STTR programs and the 11 Federal agencies dedicating two and a half percent of the outside R&D budget for R&D with small businesses. SBIR provides over 4,600 awards each year worth over 2 billion dollars.

Since 1983, small tech firms have secured 60,000 awards worth more than 12 billion to fund innovative research with small companies. Over the past 15 years, 31 North Dakota firms have received more than 23 million in SBIR awards. SBIR has provided key innovation funding to such North Dakota companies as AGSCO, Killdeer Mountain Manufacturing, Meridian Environmental Technologies, Microbeam Technologies, Phoenix International, Sioux Manufacturing, Harvest Fuels, Technology Applications Group, CEO Praxis, and many more.

The research would not have been done in these firms without SBIR funds and in some cases the company would not have survived without SBIR funds. North Dakota would be much poorer without these tech ventures.

North Dakota ranks 47th of the 50 States in population, but 49th in the number of SBIR proposals submitted. However, North Dakota ranks number 4 in conversion of SBIR proposals at 27 percent, thus we rank number 37 in total SBIR awards. We are fighting above our weight, but we also know we can do better with more proposals coming from more companies.

A key to North Dakota's success is these two SBA programs for SBIR rural outreach, and they are the SBIR Rural Outreach Pro-

gram (ROP) and the Federal and State Technology Partnership, also called FAST. They provided competitive grants to the bottom 25 States to increase participation and competitiveness in the SBIR program.

Two and a half million dollars of funding, a modest amount for these outreach programs, was discontinued after fiscal year 1904.

Several senators urged the SBA to restore cuts in ROP in their—in fiscal year 1905 and 1906 budgets.

Several senators sent a letter to SBA and I quote. These programs are critical to the cultivation of technology and high-tech small businesses through increased participation in the SBIR and STTR programs in rural and underutilized States. In the past, firms located in a relatively small number of States have been more successful in securing SBIR and STTR awards, but the FAST and ROP programs have helped small businesses in every part of the country compete effectively for SBIR projects. These awards not only provide R&D dollars to small high-tech firms, but they encourage technical advancement, improve overall productivity, increase economic growth and create jobs. Eliminating these important initiatives is unwarranted and unwise.

I could not have said it better myself, so I didn't.

The center received several SBA ROP grants between 50,000 and 100,000 dollars per year. With that money, with less than 100,000 dollars per year in Federal funds, we brought in more than two million dollars a year in SBIR awards to North Dakota, a return of 20 to 1.

The few years we did not secure a SBA grant for SBIR outreach, the number and quality of the SBIR proposals dropped precipitously. There was a direct correlation. Congress needs to restore these SBIR outreach funds if they are serious about innovation in rural States and before we eventually become a divided nation of haves and have-nots of innovation in business.

We have accessed several other Federal programs to build viable innovative ventures. Please refer to my handout for a listing of other useful Federal programs, but let me say that public and private investment is the mother's milk of innovation and entrepreneurship. That investment is too often too scarce, and it is vital.

Congressmen Dan Manzullo of Illinois and Earl Pomeroy of North Dakota recently introduced H.R. 5198, the Access to Capital for Entrepreneurs Act of 2006.

This legislation would create a 25 percent investment tax credit for individual angel investors to invest in qualified small business. The credits would be available for investments up to $250,000 in an entrepreneur venture. Your support of this legislation would be greatly appreciated.

On the last page of my handout, I list ten reasons why Federal support of higher education is so important.

Here they are.

No. 1, creates critical infrastructure such as buildings, labs, incubators, tech parks, entrepreneur programs, and other infrastructure.

No. 2, it develops our talent pool and their potential. Human and intellectual capital are vital to a knowledge, technology, and innovation-based economy.

Three, it supports graduate students and enhances undergraduate education as it helps recruit, educate, and retain talent from North Dakota and around the world.

No. 4, develops research centers of excellence.

No. 5, funds vital outreach to innovators connecting the university to entrepreneurs and investors.

No. 6, provides critical seed funding for high risk R&D, SBIR, and startup funds.

No. 7, attracts State and private investment through a match in leverage, thus priming the pump.

No. 8, keeps North Dakota and America competitive by creating new ventures, new industries, new economic engines. Think of the innovations alone that are going to come out of UAV.

No. 9, lays the groundwork for future innovation and success. Basic research leads to applied research, leads to innovation, which leads to new industries.

And, ten, it keeps our mature industries, like energy, ag, and manufacturing, competitive through innovation.

On behalf of the State's entrepreneurs and the UND Center for Innovation, thank you again for the opportunity to submit this testimony to the committee and I would welcome many questions you may have.

[The prepared statement of Mr. Bruce Gjovig follows:]

United States Senate
Committee on Budget

Statement for the Record
of
Bruce Gjovig
Director & Entrepreneur Coach
UND Center for Innovation

June 2, 2006

Senator Conrad and members of the Committee, my name is Bruce Gjovig and I serve as Director and Entrepreneur Coach of the UND Center for Innovation. The Center works with the state's innovators and entrepreneurs to launch new ventures and commercialize ideas and technologies. We have been involved in over 420 venture launches since 1984 resulting in more than $100 M in venture investment creating something over 4000 new jobs in the state. We have received five national awards for excellence in innovation and entrepreneurship, and the Forbes Princeton Review ranks UND as #14 on the listing of the top 25 of America's Most Entrepreneurial Colleges out of the top tier 357 universities. I am pleased to have the opportunity to submit this testimony to the Committee. My testimony will focus on the importance of federal funding for economic development through higher education, specifically how federal funds are important to grow and operate an Innovation Center and to tech entrepreneurs who are vital to our state and nation's future.

A significant share of the success of the Center for Innovation has come because of the federal funding programs related to innovation and economic development. Out of the $26 M the Center has raised from supporting sources for buildings and outreach programs over 20 years, a **little over $6.5 M – or 28% - has come from federal grants and contracts from EDA, SBA, HUD, USDA and DOE.** Our first tech incubator was built with two HUD grants from 1993-94. Our second incubator was finished in 2005 with EDA and HUD funds providing 20% of the investment needed for the Ina Mae Rude Entrepreneur Center. Federal funds made possible world-class infrastructure for entrepreneurs not otherwise possible. This investment will serve the entrepreneur community for decades. These 2 incubators anchor the 55-acre UND Tech Park and now host 23 ventures employing more than 110 people, many with advanced degrees. These are great new jobs in promising companies.

The Center has a good track record for utilizing federal funds to leverage with matching dollars averaging 4:1 match including $11 M from successful entrepreneurs supporting the next generation of emerging entrepreneurs and innovators. The Center represents a true private/public partnership and an example of the federal government's "priming the pump" to foster investment. The Center for Innovation's operating budget comes from fees for services,

Center for Innovation
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contracts, incubator rents and grants from foundations, entrepreneurs and the federal government. About 4% of our operating budget needs have come from the State of North Dakota and UND. We have bootstrapped the building of a nationally recognized entrepreneur center, with a lot of help from key friends, esp. our federal partners and successful entrepreneurs who will invest in the next generation of innovators and entrepreneurs.

Vital outreach to innovators & entrepreneurs
Besides important infrastructure and buildings for the emerging innovation and entrepreneur community, the federal government also funds **vital outreach initiatives, projects and programs** so we can connect the talent, technology and training of the University to the entrepreneurs and economic developers who need to develop the next generation of employers and suppliers of vital goods and services. The Center has received awards and contracts from EDA, USDA, SBA and DOE to provide technical assistance to emerging innovators who could not afford assistance in any other way getting these innovators through the "valley of death" where bootstrapping, guerrilla marketing, and securing and focusing scarce resources is critical. None of this critical outreach and technical assistance would have occurred without federal funding support.

SBIR/STTR funds innovation with entrepreneurs
Additionally there are federal programs that are critical to emerging technology entrepreneurs. Most notable are the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) Programs. These are the most important sources of seed funding in the world for small technology ventures. The SBI programs provide over 4600 awards per year worth over $2 B. The SBIR grants are offered by 11 federal agencies each dedicating 2.5% of their R&D budgets to small high tech firms. Since 1983 small technology firms have been awarded over 60,000 awards worth more than $12 billion to fund innovative research. The SBIR and STTR programs are currently authorized through FY08 and FY09 respectively. The SBIR and STTR programs are highly competitive federal programs that encourage small entrepreneurial firms to bring innovative technologies to market. By including qualified small businesses in the nation's R&D arena, hi-tech innovation is stimulated and the United States gains innovation and entrepreneurial spirit as it meets its specific R&D needs.

Over the past 15 years, 31 North Dakota firms have received more than $23 M in SBIR awards, leveraged with considerable private investment. This is a most vital source of seed capital for small tech firms in the state. This is more money than has been invested in such heralded programs as the North Dakota Development Fund, Technology Transfer Inc., the Centers of Excellence Program and many more. SBIR has provided key innovation funding to such North Dakota companies as AGSCO, Killdeer Mt Manufacturing, Meridian Environmental Technologies, Microbeam Technologies, Phoenix Intl, Dakota Technologies, Sioux Manufacturing, Spirit Lake Consulting, Harvest Fuels, Technology Applications Group, CEO Praxis and many more. Each of these

companies will say the R&D would not have been funded without the SBIR award, and most would say the company would not be here today without this federal program. North Dakota would be much poorer without these ventures.

North Dakota ranks 47th of 50 states in population, but 49th in the number of SBIR proposals submitted. This sounds small if not insignificant but since ND ranks #4 in conversion of SBIR proposals to awards at 27%; we rank #37 in total SBIR awards. We are "fighting above our weight" bringing in over $23 M in SBIR awards, but know we can do better with more proposals from more companies.

ROP and FAST means 20:1 leverage

A key to North Dakota's success is two SBA programs for SBIR outreach. The SBIR **Rural Outreach Program** (ROP) and the **Federal and State Technology Partnership** program (FAST) provided competitive grants to the bottom 25 states to increase participation and competitiveness in the SBIR program. $2.5 M of funding for these outreach programs was discontinued in FY 2004. Several Senators urged the SBA to restore FAST and ROP in their FY05 and FY 06 budgets. The Senators' letter to SBA states: *"These programs are critical to the cultivation of technology and high-tech small businesses through increased participation in the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs in rural and underutilized states. In the past, firms located in a relatively small number of states have been more successful in securing SBIR and STTR awards, but the FAST and ROP programs have helped small businesses in every part of the country compete effectively for SBIR and STTR projects. These awards not only provide R&D dollars to small high-tech firms, but they encourage technological advancement, improve overall productivity, increase economic growth and create jobs. Eliminating these important initiatives is unwarranted and unwise."* I could not have said it better myself, so I didn't.

The Center received several SBA ROP grants between $50 K and $100 K per year. Those funds allowed us to do hands-on-work with tech entrepreneurs to figure out if they should be in the SBIR program, which agency to go to, and prepare competitive proposals. North Dakota ranks 4th in conversion of SBIR proposals to awards because of this program. Less than $100 K per year in federal funds brought in over $2 M per year in SBIR awards to North Dakota companies, a return of 20:1. The few years we did not secure a SBA grant for SBIR outreach, the number and quality of the SBIR proposals dropped precipitously. There was a direct correlation. Congress needs to restore these SBIR outreach funds if they are serious about innovation in rural states and before we eventually become a divided nation of have and have-nots of innovation in business.

Our UND Center and our entrepreneur clients have accessed several other federal programs to build viable innovative ventures. I do not want to review all of them here but let me **identify excellent federal programs** besides SBIR.

They are USDA's Rural Business Enterprise Grants (RBEG) & Rural Business Opportunity Grants (RBOG); DOC's Economic Development Administration programs (EDA); HUD's Community Development Block Grants and Economic Development Initiative (EDI), and SBA's SBIR ROP & FAST, 7(A) loans LowDoc loans (recently discontinued!). We have not been able to secure a grant from NSF, DOD or NASA but these agencies have good programs for innovation and economic development as well. Innovation must be a national priority, and it is the single most important factor in determining the nation's success and economic future.

Public and private investment is the mother's milk of innovation and entrepreneurship. That investment is too often too scarce, and it is vital. Our global leadership in technology and innovation is being challenged by other countries who are heavily investing in science, engineering, research, innovation and entrepreneurship infrastructure. The rest of the world is not standing still but is increasing innovation capacity, infrastructure, investments, and the will to catch up with us. While the US invests in 44% of worldwide R&D now, in 1970 we accounted for 70%. The warning signs are clear. We cannot take our leadership position for granted, and we cannot leave rural America behind. Americans must innovate in order to compete, thrive, and have a good future. The federal government has a key role to play in providing this investment, priming the pump to stimulate more private investment in research and early stage investment in innovation.

Investment Tax Credits

Congressmen Don Manzullo (R-IL) and Earl Pomeroy (D-ND) recently introduced **H.R. 5198, the Access to Capital for Entrepreneurs (ACE) Act of 2006**. This legislation would create a 25% investment tax credit for individual angel investors or partnerships that invest in qualified small businesses. The credit would be available for investments up to $250,000 in an entrepreneur venture. This federal legislation gets its inspiration from the 20 states that offer seed capital tax credits to qualified angel investors. There is a severe shortage of seed and early stage investing and this is a way Congress can help create incentives for angel investing in innovative ventures.

Which comes first? The chicken or the egg, innovation or investment? Research and technology often attract reinforcing cycles of innovation and investment. Investment chases after entrepreneurs who follow the innovators. Innovators are attracted to universities and tech parks that offer opportunities to pursue cutting edge research, to start-up commercial ventures and obtain funding to take products from lab to market. Entrepreneur networks and incubators are needed to connect researchers, innovators, entrepreneurs, investors and early market adopters. Federal investment in R&D (if we remember the D) will in time attract investors.

The relationship between research and innovation at universities and the economy is strong especially when we truly connect Research and the often forgotten Development in R&D. Large cities that host a large research university generate about 20% more income per capita than their peer cities without a major university, 10% more for smaller cities hosting a research University presences, less because they do not capture their talent as they graduate.

An MIT economics professor, Robert Solow, reported on his research that over half of the US economic growth since WW II has come from technological innovation. About 20% of R&D in the US is performed by the private sector. Universities account for 60% of such research, with government accounting for the remaining 20%. The federal government is the largest funder of basic research, paying for 57% of the total. Federal investment in science and technology has played a key role. The goal is innovation with an advantage for the user, so America's research universities are a valuable asset. Higher education and technology commercialization are increasing in importance in an innovation economy.

Research universities will need to become more entrepreneurial and innovative, to be more nimble, more responsive, and more focused on excellence and differentiation, without losing sight of our core mission to freely discover new knowledge and to share it widely with the world. Tech commercialization and economic development works best when it is locally-driven – local people coming together for an opportunity to take control of their economic destiny often assisted by state and federal investments and support.

Helping rural economies should be a priority for all federal agencies. States like North Dakota have seen their fair share of economic challenges and stress in the last 25 years as we transform towards a new economy based on technology, innovation, knowledge workers, and entrepreneurship. North Dakota's competitive advantage last century was resources, and this century it will be innovation and knowledge. We must find our innovation advantage. A little investment from the Federal Government can't hurt - such as investments in world-class research and education, more science and technology, more innovation and entrepreneurship infrastructure, and fostering a business environment that encourages innovation, entrepreneurship and investment. Perhaps some of the federal investments might be better focused on innovation or tech-based economic growth.

While past performance is no guarantee of future results, we can predict that innovation and knowledge will drive the global economy for some time. America's strength and status as the world's sole superpower are based primarily on our past investments in science and technology and our ability to harness innovation to grow ventures, good jobs and even new industries. Innovation and entrepreneurship stand as the twin pillars of our economy and the key sources

for strength of our society. As innovation and entrepreneurship profoundly shaped the 20th century, they will define the 21st century.

Finally Federal support of students, research, innovation, and entrepreneurship is a sound investment in North Dakota's and America's future well-being. Federal investment in higher education is essential for these 10 reasons:

1) Creates critical infrastructure (buildings, labs, incubators, tech parks, entrepreneur programs, etc.)
2) Develops our talent pool and their potential (human and intellectual capital are vital to a knowledge, technology and innovation-based economy)
3) Supports graduate students and enhances undergraduate education (recruits, educates, retains talent from ND and around world)
4) Develops research centers of excellence
5) Funds vital outreach to innovators and provides public service (connects university to the innovators, entrepreneurs, investors)
6) Provides seed funding (high risk R&D, SBIR, startup funds)
7) Attracts state and private investment (match, leverage, prime the pump)
8) Keeps North Dakota and America competitive (new ventures, new industries, new economic engines, think of innovations like UAV)
9) Lays the groundwork for future innovation and success (basic research > applied research > innovation > new industries)
10) Keeps our mature industries competitive through innovation (energy, agriculture, manufacturing)

On behalf of the state's entrepreneurs and the UND Center for Innovation, thank you again for the opportunity to submit this testimony to the Committee and I would welcome any questions you may have.

SENATOR CONRAD. Thank you very much, Mr. Gjovig. For the North Dakota based the companies that you have listed, AGSCO, Killdeer Mountain Manufacturing, Meridian Environmental Technologies, Microbeam Technologies, Phoenix International, Sioux Manufacturing and the rest, how important would you say Federal funds have been to those companies' success?

MR. GJOVIG. In at least 80 percent of them, they were essential and critical. Without them, there would probably be no company. Another 20 percent they would have been limping along. They would not be the company they are. They probably would not have the innovation and technology they have but they probably have some survivability, but many of them just simply wouldn't exist without SBIR, and they certainly wouldn't be the growing and vital companies that they became.

SENATOR CONRAD. If you were able to speak directly to my colleagues that are on the conference committee—and you know how it works in Washington, you have you been there—what would you say? We often have a very brief moment to make an impression on our colleagues.

In the conference committee, we will be dealing with every budget issue. We will be dealing with the war in Iraq. We will be dealing with veterans' funding. We will be dealing with Social Security. We will be dealing with Medicare. We will be dealing with every aspect of Federal funding, funding for the parks of the nation, law enforcement, FBI, CIA, and all the rest.

If you were to have just a brief moment to impress upon my colleagues, who are skeptical about whether or not Federal funds are actually producing tangible results, what would you say to them to convince them?

MR. GJOVIG. I would let them know that since World War II half of the technical innovation in this country has come from the Federal funding. You can directly trace back to the Federal fundings from World War II and we are alone the superpower and the dominant power in the world because of innovation and technology, and that can be traced right back to the Federal incentives and taking those high-risk funds from the very beginning.

And it's the magic of America in combining this research and technology with an entrepreneur and innovative spirit, and the other programs are—by itself doesn't get the job. You need the D, you need the C as Gerry so often talks about, and that in combination is what has created the dynamic economy we have.

And we can't afford the work. We don't have a great economy and we can't fight a great war unless we have the innovation so much provided by the companies and universities that—that are part of this country.

SENATOR CONRAD. Thank you. I think that is a very good answer. Hopefully, when I use it with some of my colleagues, it will be effective.

MR. GJOVIG. You don't have to attribute it either.

SENATOR CONRAD. I thank you for that.

Dr. Zimmerman, thank you so much for being here, and we look forward to your testimony. Good to have you here.

DR. ZIMMERMAN. Senator and Members of the Committee, my name is Delore Zimmerman and I'm president CEO Praxis, Incorporated. We are an economic strategy and development company here in Grand Forks and Fargo.

As Bruce said, we are an SBIR winner, an eight-time winner actually over the last 10 years. The program has enabled us to do things we never could have done without the Federal funding and to penetrate new markets across the country, so I think the SBIR program I would say it's the fastest shipping Federal fleet. That's how I would put it.

But I want to thank you for holding this hearing today on the impact of Federal funding on higher education. The United States has always relied heavily on the innovation of its people to compete in the world marketplace and our nation's universities and colleges play a key role in that part of our competitiveness.

They are very important innovation-generating institutions.

We face a serious fiscal environment in our country today, but there is no wisdom, absolutely none, in cutting investments in higher education. A world-class knowledge and learning infrastructure is a very vital part of competing in a global, knowledge-driven economy.

A strong higher education system is critical to developing and nurturing an informed citizenry and sustaining a robust democracy.

I would like to briefly highlight three areas in which I think higher education plays a key role. One, our nation's standard of living; two, our economy's competitiveness and productivity; and, three, our people's quality of life.

There is a proven and strong relationship between the economy's development and use of science and technology and its standard of living. Research by the Milken Institute, for example, shows that 75 percent of the variability in a State's per capita income can be accounted for by its ability to convert its science and technology assets into economic development. Our higher education system, at this point, has been a tremendous economic generator of a middle class, but other countries are making strides to rival what we have worked very hard to build.

On this front there is really good news in North Dakota. The most recent National Science Foundation's Science and Engineering Indicators for 2006 shows that we rank second in terms of academic R&D per $1,000 of gross State product. And, in a complete shift from the past, we rank fourth today, not 40th, in terms of technology startups as a percentage of total business, which is a fundamental turnaround from the last decade.

North Dakota's recent ranking among the States as having the third highest growth in per capita income, I believe, reflects our determined efforts in the last few years to better utilize the assets of our universities and colleges for creating new economic opportunity.

Our universities and colleges, along with our K through 12 schools, are also important assets in creating a skilled work force, and here again the returns are substantial. Research by the National Bureau of Economic Research has shown that a 10-percent increase in workforce education results in almost an 8.5 increase—18.5 percent increase of productivity in manufacturing and almost a 13 percent increase in nonmanufacturing industries.

A comparable investment increase of 10 percent increase in investment and equipment yields a three percent gain in productivity, so that means that the marginal value of investing in human capital is about three times greater than that for machinery, and I oftentimes think that we've become too enamored with the technology and don't pay enough attention to the human capital dimension, which depends almost entirely on higher education.

There are, of course, benefits to our society of higher education for which mere numbers and statistics are inadequate. People educated in the humanities, the sciences and the arts, are more likely to participate in civic affairs of their community, State, and country.

They have a greater appreciation of other cultures and international events. Advancements in science at our universities and colleges have resulted in tremendous benefits for the health and well-being of Americans and people almost everywhere around the world.

Equally important I think it's important to mention that the people that work in our institutions of higher education are tremen-

dous assets to our communities and region. Oftentimes they are the leading force and the driving force behind the economic development of an area.

I currently serve as a private sector member of the North Dakota Higher Education Roundtable and we have recently, and unanimously, recommended that higher education's budget comprise no less than 21 percent of the upcoming of the total State budget. A comparable commitment at the Federal level I think would be a wise investment in our nation's future.

In closing, higher education in this country has always been a gateway for people to a better life and the return on investment for our country has been substantial in so many ways, both economic and social. In that case, I think our most prudent course of action is to increase that.

[The prepared statement of Dr. Delore Zimmerman follows:]

United States Senate Budget Committee
Senator Kent Conrad
Field Hearing on the Impact of Federal Funding on Higher Education
June 2, 2006

Testimony by Delore Zimmerman, Ph.D.
President CEO Praxis, Inc. &
Director, Coordinating Center of the Red River Valley Research Corridor

Senator Conrad. Thank you for holding this hearing today on the impact of federal funding on higher education. The United States has always relied heavily on the innovation of its people to compete in the world marketplace and our nation's universities and colleges play a key role in the economy as innovation-generating institutions.

We face a serious fiscal situation in the United States but there is no wisdom in cutting investments in higher education. A world-class knowledge and learning infrastructure is essential for competing in a global, knowledge-driven economy. A strong higher education system is a critical to developing and nurturing an informed citizenry and sustaining a robust democracy.

I would like to briefly highlight three areas in which higher education plays a key role in our nation's future. Our nation's standard of living; our economy's competitiveness and productivity; and our people's quality of life.

There is a proven and strong relationship between an economy's development and use of science and technology and it's standard of living. Research by the Milken Institute, for example, shows that 75% of the variability in a state's per capita income can be accounted for by it's ability to convert it's S&T assets into economic development. Our higher education system, to this point, has been a tremendous economic generator of a growing middle class but other countries are making strides to rival what we have worked so hard to build.

On this front there is good news in North Dakota. The most recent National Science Foundation's Science and Engineering Indicators (2006) for States shows that North Dakota's universities are performing at a high level. North Dakota now ranks #2 in terms of academic R&D per $1,000 of gross state product. And, in a complete shift from the past, North Dakota is now ranked 4th among the states in terms of technology companies as a percentage of total business startups. North Dakota's recent ranking among the states as having the 3rd highest growth in per capita income, I believe, reflects our determined efforts in the last few years to better utilize the assets of our universities and colleges for creating new economic opportunity.

Our universities and colleges, along with our K-12 schools, are important assets in creating a skilled workforce. Here again the returns are substantial. Research by the National Bureau of Economic Research has shown that a 10% increase in workforce

education results in almost a 8.5% increase in productivity in manufacturing and almost a 13% productivity increase in non-manufacturing industries. A comparable investment increase of 10% in equipment yields a 3% gain in productivity, meaning that the marginal value of investing in human capital is about 3 times greater than machinery. We oftentimes become too enamored with the technology part of the competitiveness equation while downplaying the important contribution of the human capital dimension, which depends almost entirely on higher education.

There are of course benefits to our society of higher education for which mere numbers and statistics are inadequate. People educated in the humanities, the sciences and the arts are more likely to participate in the civic affairs of their communities, states and country. They have a greater appreciation for other cultures and international events. Advancements in science at our universities and colleges directly and positively impact the health and well-being of all Americans and people around the world. Equally important, our communities benefit from the leadership and active participation of faculty, administrators and employees of the higher education institutions, which are such an integral part of our region and, oftentimes, the driving force.

I currently serve as a private sector member of the North Dakota Higher Education Roundtable and we recently, and unanimously, recommended that higher education's budget comprise no less than 21 percent of the upcoming total state budget. A comparable commitment at the federal level would be a wise investment in our nation's future.

In closing, higher education in this country has always been a gateway for people to a better life and the return on investment for our country has been substantial in so many ways, both economic and social. In that case, our most prudent course of action is to increase the investments that we make in higher education.

United States Senate Budget Committee
Field Hearing on the Impact of Federal Funding on Higher Education
Testimony by Delore Zimmerman

SENATOR CONRAD. Thank you, Delore.

DR. ZIMMERMAN. Thank you, Senator Conrad.

SENATOR CONRAD. Excellent testimony and, again, right on point with what we are trying to achieve here today. Let me ask you the same question I asked Mr. Gjovig. If you had just a few sentences and you're in the heat of the conference committee, I can tell you it gets rather intense in there, and you're facing a very skeptical colleague, who says, Senator Conrad, this is just a waste of money—this is nothing but gilding the lily—which I had a colleague say to me in a recent meeting about higher education spending, what would your rejoinder be?

MR. ZIMMERMAN. I would say that the Federal government is allowing research and development on things that would not be done on the private sector at this point. With the nature of extreme capitalism, if you want to call it that right now, lower cost, higher value added, these sorts of things just aren't being done because of the timeframe that returns are happening, so the Federal funding is just so important to make these—to get these things started.

SENATOR CONRAD. And what is the consequence of the failure to get them started?

MR. ZIMMERMAN. Well, we'll continue to fall behind in some of these areas.

SENATOR CONRAD. As a nation?

MR. ZIMMERMAN. Yes.

SENATOR CONRAD. So what are the implications? We are the most powerful nation in the world, the richest nation in the world. We see China coming up very rapidly. Our indebtedness to the world has skyrocketed.

We have doubled what we owe the rest of the world in five years, more than doubled. So that means we now owe the Japanese almost $700 billion. We owe the Chinese approaching $300 billion. We owe the Caribbean Banking Centers almost $100 billion. We owe the South Koreans almost $50 billion.

How central is higher education to our ability to continue to be the most powerful country in the world?

MR. ZIMMERMAN. Well, there's a lot of people who claim that our higher education system is our No. 1 asset and I would not dispute that.

SENATOR CONRAD. Thank you very much. I appreciate your testimony and the testimony of all of the others. If any of you who have already testified have something else that's pressing, we would certainly understand if you need to leave at this time.

I'm going to conclude with testimony from two TRIO students that are with us today, Logan Tong and Gary Moore, a Veterans Upward Bound student.

Logan, welcome.

MR. TONG. Thank you, Senator. I'm 20 years old and I'm a sophomore at the University of North Dakota, and it was only Wednesday of this week that I found out I would be talking to you all today, so forgive me if I stutter.

I'm up here to tell you a two-party story about my experiences with life, education, and the ever-important pursuit of happiness.

To begin, I was born to two lower-middle, working-class parents, neither of whom had more than a high school education. They both worked very hard to ensure I was comfortable. Yet despite their efforts, I was still an anxious child.

And though my father had a very strong work ethic, he found himself in the tight grip of addiction, self-medicating a physical disability with alcohol and drugs. For as far back as I can remember, every would-be meaningful moment I spent with my dad was while he was intoxicated.

No one, including my mother, would acknowledge he had a problem. Mom was off depressed and always in denial about my dad's unhealthy habits. She enabled him, and I continued to grow up with less than attentive parents. From as early as the first grade, I spent my afternoons and summers without proper supervision or daycare, due to the fact that my parents simply could not afford it.

As I've already mentioned, I was a very anxious kid.

That anxiety manifested itself into physical pain throughout my head and neck. It affected me daily, to the point where school was no longer an option. I couldn't last a day without getting a major headache.

By my fourth year in high school—

SENATOR CONRAD. I can tell you that a lot of my days in Congress are like that.

MR. TONG. By my fourth year in high school, I had only earned 9 of the 24 credits required to graduate.

My childhood caught up with me and I had to make a decision.

I dropped out of high school in order to pursue a GED. That's when my development with the federally funded TRIO Programs began. I studied for my GED in the Grand Forks Adult Learning Center, and once a month an advisor from TRIO would visit the center to give presentations on very topics, including higher education, technology, personal finance, and other services TRIO has to offer.

For those who don't know, TRIO Programs helps perspective and current college students use their available resources to succeed. From middle school to those pursuing their Ph.D., TRIO has a far and effective reach for young people who might not otherwise grasp that they can excel in college.

I spent a year studying for my GED exams, and I proudly received my diploma and salutatorian honors in May of 2004. Still though, my involvement with TRIO was just starting. I used the next year to volunteer and get involved with TRIO Programs. I mentored high school students through TRIO's Upward Bound Program and spoke about my struggles to middle school classrooms with a fellow TRIO student.

In August 2005, I started classes at the University of North Dakota. I earned a 4.0 GPA in my first semester and was placed on the dean's lift. TRIO helped me all the way. I couldn't have done it without them, nor would I have thought to even try.

I'm proud to say that my involvement with TRIO continues and hopefully will for many years in one way or another. I've even taken a summer tutor/advisor job with TRIO's Upward Bound Program. They were kind enough to let me take the afternoon off to do this. I'm excited that there is an opportunity for students to overcome even more challenging obstacles than I faced and still have a good chance to succeed. I'm grateful for the opportunity to give back to such an altruistic program.

In the future, I hope to continue with TRIO by applying for the Ronald E. McNair Postbaccalaureate Program, a program designed to help those planning to earn their master's degree or Ph.D.

Two years ago, I was what seemed like a liftime away from just graduating high school. College never crossed my mind. Without the Federal funding required to offer TRIO Programs and Pell Grants, I wouldn't be here in front of you all. I wouldn't be able to tell you that I am succeeding.

It is my sincere hope that the decisionmakers will hear not only my story but countless other stories of success shaped by government-funded agencies like TRIO, agencies that offer people the help they need and foster the dreams that so many dismiss as unattainable. These programs are a crucial element to a brighter future, a future that everyone can enjoy and take part in. Past, present, and future generations will all benefit from support of these programs. Thank you.

[The prepared statement of Logan Tong follows:]

Thank You, my name is Logan Tong. I'm 20 years old, and a sophomore at the University of North Dakota.

It was only Wednesday of this week that I found out I'd be talking to you all today, so forgive me if I seem to stutter.

I'm up here to tell you a two-part story about my experiences… with life, education, and the ever-important pursuit of happiness.

To begin, I was born to two lower-middle, working-class parents, neither of whom had more than a high school education. They both worked very hard to ensure I was comfortable. Yet despite their efforts, I was still an anxious child. Though my father had a very strong work ethic, he found himself in the tight grip of addiction, self-medicating a physical disability with alcohol and drugs. For as far back as I can remember every would-be meaningful moment I spent with my dad was while he was intoxicated. No one, including my mother, would acknowledge he had a problem. Mom was often depressed, and always in denial about my dads unhealthy habits. She enabled him, and I continued to grow up with less than attentive parents. From as early as the 1st grade I spent my afternoons and summers without proper supervision or daycare, due to the fact that my parents simply couldn't afford it.

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Thank You For Listening.

SENATOR CONRAD. Thank you very much, Mr. Tong. You are a very impressive young man. I can't think of a better example of why a program like the one you have benefited from should not be eliminated, and I hope very much I can share this story with some of my colleagues.

MR. TONG. Please do.

SENATOR CONRAD. It is very powerful.

Gary, welcome. It is good to have you here.

MR. MOORE. Thank you, sir. I'm Gary Moore.

Approximately a year ago, I retired after serving 26 years in the United States Air Force. I'm married. I don't know why she stuck with me but for 24 years she has been with me and we also have two sons, one of whom is working in pursuing his degree and my youngest son, who is currently a United States Army cavalry scout serving his second deployment in southwest Asia.

Approximately—or through that 26 years I served two tours out at the Grand Forks Air Force Base, totaling up to 14 years, voluntarily mind you.

SENATOR CONRAD. We are glad to have had you there.

MR. MOORE. And the last eight and a half years of my service was as a uniformed First Sergeant.

Prior to retiring, you know, my wife came up to me and she said, "Gary, what are you going to do when you grow up?" You know, this was about a year before I retired. I decided I wanted to go into social work.

Well, I knew I needed formal education for that.

After I retired and going through the Veterans Administration, I'm also a disabled vet. They're taking care of the funding for my schooling, but there's more to it than just funding. I've got to be able to learn the information, learn the—obtain the knowledge to be able to perform these duties. That's where Veterans Upward Bound came in.

First thing, they conducted an assessment. I found out something I already knew, my math was horrible. I also found out that for 26 years I had been writing like I was in the military, not in the studying world, and, ladies and gentlemen, let me tell you there's a big difference.

Personally like I said, you know, I was a disabled vet. Could I physically go to school every day? Could I do this? And also a non-traditional student, which I'm finding has a definition of basically not 19. You know, there's a lot of things, you know, that go through your head at this point.

How did Veterans Upward Bound help me out? The first thing that Colleen Rude did is she put me into 20-plus hours of hands-on math and English schooling, training, education. At this point today, I now understand why you want to add numbers and letters, algebra. I never got it before, but now I'm getting it.

A lot of writing. I now write in paragraphs instead of bullet statements, and this morning I met with my social worker advisor and she assured me that I will get more training as I go on with my degree.

SENATOR CONRAD. Gary, would you be willing to have a consultation with my communications director right after this? I have been trying to convince him that this paragraphing is a good idea.

MR. MOORE. I can help you with your bullets, sir.

SENATOR CONRAD. OK.

MR. MOORE. Additionally and probably the most important part—I mean don't get me wrong. Math and English were solid. It's good knowledge and it's ongoing, but the most important part was probably the counseling, the formal and informal part, transitional counseling.

You know, a lot of us in Veterans Upward Bound Programs are retiring, some are separate—separated troops after four or 8 years. This is a different world out here that you live in than what we are used to, and if you don't believe me, go out there to that base for about 30 days and do what they do and see if that's different from what you're used to.

They do the transition counseling with us. They would counsel us on the civilian world, just things that—you know, why are we doing this, and Colleen and her folks there would explain it to us, would guide us through it.

Most importantly was how to survive academiaville, college. You know like I said, a year ago I walked around at the Grand Forks

Air Force Base and I had 19 year olds, 20 year olds, 21 year olds, my airmen, referring to me as First Sergeant, Shirk, Top, sometimes sir. I walk around here and these same 19, 20, 21 year olds take the phone away and go "Dude." That's a little different, your know. Colleen and her folks exposed us to those things.

All right. And the last part of it is the veteran interaction we are supposed to give each other. We all have that bond and those things, you know, help you through this. Has Veterans Upward Bound made a difference? I will tell you today there are graduates of Veterans Upward Bound going through the engineering program.

In fact, a couple of my former troops said we could sit there between the three of us. We couldn't get one plus one equals three, two, four. Well, he's out here going through the engineering program through the heavy math and science programs.

I have other friends that have completed the physician assistance programs here that are out there and they are doctoring folks. Other students are graduates of Veterans Upward Bound. They have gone on to programs for underwater welding, who are out there as entrepreneurs in the business world.

For me personally I'm pursuing my degree in social work, actively pursuing it. I'm doing well. My outlook is bright, my confidence is high, and honestly because of Veterans Upward Bound myself and veterans that have come before me and those that are going to be coming behind me we owe a debt of gratitude to Veterans Upward Bound because it's helping us pay back society or contribute in a greater manner to society.

Thank you very much.

SENATOR CONRAD. Thank very much. That was just terrific. I tell you I could not be more pleased with the testimony we have had here today. I came here with a goal and hope that we would receive testimony that would help us in the very tough fight that is to come. And, believe me it is as tough a fight as I have ever seen because of the budget that has been set up and partly because of the extraordinary war funding costs that have been brought to us in what are called supplemental appropriations bills.

The war costs were not budgeted for. There was no warning given to the Congress that the administration was going to come and ask for nearly $100 billion. That's a stunning amount of money, even to the Federal government, and that has soured the atmosphere quite dramatically in the budget world in Washington. As you can imagine, people are scrambling as to how we are going to pay for all these things, which it is made more difficult by the fact that we are now running very large budget deficits and adding very substantially to our national debt.

This year with the budget that has been proposed, $600 billion, will be added to the debt in 1 year. That is truly stunning when the debt is in the range of $8 trillion overall and you add $600 billion in 1 year. Over the next 5 years of this budget, $3 trillion will be added to the debt. Over the previous 5 years, we added $3 trillion to the debt.

You can see these are stunning increases, and they are leading to dramatically increased budget pressure. That is what is happening and different people have different priorities. Some of my

colleagues are saying higher education is nice but it is not essential. They say the war, that is essential; and rebuilding after Katrina and Rita, that is essential. On the other hand, higher education can be cut; people will have to borrow more money but somehow they will get through.

I think today we have received testimony that will help persuade at least some of our colleagues that higher education is much more than a nice thing. It is much more than one of those things you would like to have but do not need to have. As I see, it if we do not invest resources in education, America is going to slip in its position in the world. We have already slipped financially. We have now become the biggest debtor nation in the world. We owe more money than any other country. And, I think the biggest, the single biggest, mistake we could make is not to continue to invest in education, technology, and research because that is the one place we continue to lead and it is what allows us to be the most powerful nation in the world and the richest nation in the world. To give up that edge, I think, would be a profound mistake, and I believe I have heard here today very strong evidence for that position.

I want to thank each and every one of you for your testimony here today. The Senate Budget Committee thanks you for your contributions.

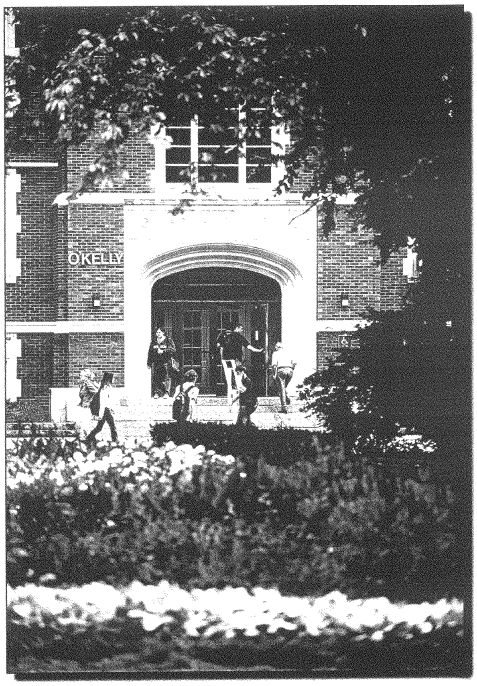
You know, the Senate Budget Committee has already completed its work for the year in terms of hearings on the budget in Washington. But given the fact that we are going into a conference committee and what we are hearing from some of our colleagues, I thought it would be critically important to have today's hearing so that we would have fresh evidence to bring to this fight. I want to especially thank you for your excellent testimony.

I know here we are on a beautiful Friday afternoon.

I think some people in the audience here would have preferred to be on the golf course perhaps. I very much appreciate your taking the time to be here and provide these insights and the committee thanks you as well.

With that, we adjourn this hearing.

[Whereupon, at 4:06 p.m. the hearing was adjourned.]



Cover: UND Students studying
Above: The O'Kelly Building at the College of Nursing

An Open Letter from United States Senator Kent Conrad

Dear Friend:

North Dakota has a proud tradition of providing our young adults the opportunity to get a quality education at our public universities and colleges. Our state's higher education system is so good that neighboring states have taken to calling North Dakota the "brain belt," in an acknowledgement of the exceptional aptitude of our North Dakota graduates.

Our higher education system is something that all North Dakotans value – and not just for the excellent learning opportunities it offers. The campuses of our universities and colleges have become part of the fabric of our local communities, enriching the lives of all North Dakota families, whether they have a child enrolled or not. Our campuses provide good-paying jobs, they stimulate North Dakota's economy, and they are often the hosts of partnership efforts to address issues in our local communities and across our state.

But without federal support, our public education system would either shrink, or become so expensive that a college degree would be out of reach for a growing number of North Dakotans. This report, prepared by professional staff of the United States Senate, examines the impact of the federal budget on North Dakota's higher education system. Each campus report details the trends of federal investment in that institution, and focuses on examples of how federal investments in North Dakota's public colleges and universities have increased the quality of life for our North Dakota families.

It is important to examine the federal budget's impact on higher education in North Dakota. As our deficits widen and our national debt grows, there is increasing pressure to eliminate spending on domestic initiatives – including higher education. As a nation, we must decide what we value, and where we want our federal dollars invested.

I believe that you'll find this report eye-opening. It is clear that the federal budget has a crucial role in making higher education affordable to our families, drawing research to our North Dakota campuses, and keeping our colleges and universities vibrant centers for our local communities. Special thanks to UND's Dr. Peter Alfonso, Jim Petell and Dave Schmidt for their assistance in preparing this document.

Sincerely,

Kent Conrad

KENT CONRAD
United States Senator

Findings

Institutions of higher education are vital to our society. Our colleges and universities prepare the workforce of tomorrow. They are on the cutting edge of research and development in biotechnology, agriculture production, health and medicine and other areas that will affect the well being of families. They also prepare the next generation of teachers. Our local community leaders often turn to institutions of higher education to act as catalysts for partnerships that can help solve problems and address challenges.

Our universities and colleges also serve North Dakota and our local communities as engines that drive economic activity and stimulate growth. As research grows, they are increasingly a source, both directly and indirectly, for better-paying jobs -- a trend that serves to increase the quality of life in North Dakota and in the communities that host our institutions of higher education.

University of North Dakota

Grand Forks, ND

Founded in 1883

Undergraduate student body: 10,710

Mission

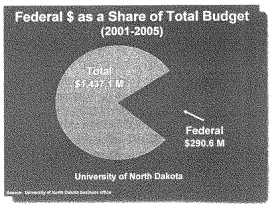
The University of North Dakota, as a member of the North Dakota University System, serves the state, the country, and the world community through teaching, research, creative activities, and service. State-assisted, the University's work depends also on federal, private, and corporate sources. With other research universities, the University shares a distinctive responsibility for the discovery, development, preservation, and dissemination of knowledge. Through its sponsorship and encouragement of basic and applied research, scholarship, and creative endeavor, the University contributes to the public well-being.

The University maintains its original mission in liberal arts, business, education, law, medicine, engineering and mines; and has also developed special missions in nursing, fine arts, aerospace, energy, human resources, and international studies. It provides a wide range of challenging academic programs for undergraduate, professional and graduate students through the doctoral level. The University encourages students to make informed choices, to communicate effectively, to be intellectually curious and creative, to commit themselves to lifelong learning and the service of others, and to share responsibility both for their own communities and for the world. The University promotes cultural diversity among its students, staff and faculty.

In addition to its on-campus instructional and research programs, the University of North Dakota separately and cooperatively provides extensive continuing education and public service programs for all areas of the state and region.

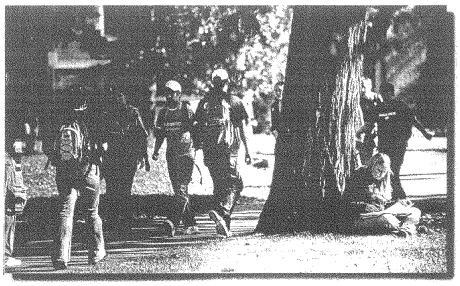
Federal Funding For The University of North Dakota

The federal government has become an increasingly important partner in supporting the mission of higher education in North Dakota and across the country. The University of North Dakota benefited from $66 million in federal programs for student aid, grants, contracts and other support in 2005, or 19 percent of its total budget. From 2001 to 2005, the University received nearly $290.6 million from federal programs, which was about 20 percent of its total budget.



Making sure that North Dakota's colleges and universities are strong will help ensure we have the intellectual capital to address challenges facing our state, that we have a world-class workforce, and that our young people can envision a secure and prosperous future for themselves in North Dakota.

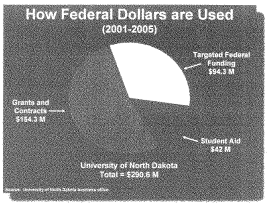
"From 2001 to 2005, the University received nearly $290.6 million from federal programs, which was about 20 percent of its total budget."



UND Students on the Mall

How Federal Funds Are Used

Student Aid



Many families and students recognize that continuing on with education after high school is important for financial security. But they are also concerned about the rising cost of higher education.

Tuition and fees at a four-year public college or university average $5,491 in the current school year. That's up 7.1 percent from last year. The average tuition and fees at a two-year public college is $2,191 or 5.4 percent above last year. Adding in the cost of room and board, the average cost of attending a four-year public college or university in the US has reached $12,127. [College Board, *Trends in College Pricing 2005*]

Tuition and fees in North Dakota are below the national average at $4,790, but those costs increased 10 percent over the previous school year.
[College Board, *Trends in College Pricing 2005*]

Financial aid is increasingly important to make sure that qualified students have the opportunity to go to college and complete their programs of study. Today, 62 percent of full-time undergraduates receive student aid. [College Board, *Trends in College Pricing 2005*]

The burden on families has grown in recent years as the cost of higher education has gone up. On average, grants and tax credits from all sources currently cover 60 percent of tuition and fees, and 27 percent of the tuition, fees, and room and board for full-time undergraduates at 4-year public institutions. However, the net cost to students and their families has grown 17 percent since the 2001-2002 school year. [College Board, *Trends in College Pricing 2005*] Our entire state is affected when a higher education becomes unaffordable for too many students.

The federal government is the largest source of student aid. Pell grants are the foundation of the federal student aid program, although the maximum Pell grant currently covers only 33 percent of the cost of a four-year public institution, down from 42 percent in the 2001-2002 school year.

North Dakota students are projected to receive $37 million in assistance through the federal Pell grant program in the 2005-2006 school year. [U.S. Department of Education] Students at the University of North Dakota benefited from $8.7 million in federal student aid programs, including $6.2 million in Pell grants in 2004-2005.

The federal government also provides support to students in ways that are not reflected in this report. Nearly half of student aid now comes through federal loan programs. Students in North Dakota took out $174.1 million in loans through the Federal Family Education Loan (FFEL) program. [U.S. Department of Education] Many students and their families also take advantage of tax provisions such as interest deductibility and tax credits to reduce the cost of going to college. Nationwide, nine percent of all federal aid to undergraduate and graduate students was made through the federal tax code. [The College Board, *Trends in Student Aid 2005*]

Grants and Contracts

The federal government is also a major source of grants and contracts for basic research, product development, and other campus-based projects. More than half of all basic research in the United States is conducted at research universities. The federal government supports about 60 percent of research conducted at universities. [Association of American Universities, 2004]

Federal grant and contract support at the University of North Dakota has increased from $38.1 million in the 2001-2002 school year to $57.2 million in the 2004-2005 school year. The 2005 funding includes nearly $23.9 million obtained directly by the North Dakota Congressional delegation for specific projects at UND.

Biomedical Researchers at UND

Case Study: Making a World of Difference – Federal Partnership With EERC

Fewer entities have made better use of federal funds than the University of North Dakota's Energy and Environmental Research Center (EERC). Critical research projects at the EERC have been supported with more than $50 million in targeted funding secured by the congressional delegation since 2001 through the U.S. Department of Agriculture, Department of Energy, and the Environmental Protection Agency. Led by its Director, Dr. Gerald Groenewold, the EERC has utilized this funding to improve water and air quality, expand the use of biomass and alternative fuels, study innovative flood control options, research clean coal to decrease pollution emissions from power plants, develop hydrogen fuel cells, and expose possible links between pesticides and neurological diseases. [FY 2001-2006]

Case Study: Center for Rural Health

A key component of the School of Medicine is the Center for Rural Health – where public policy intersects with everyday health care practitioners in a constant search for improved rural health care. The Center has a specific focus on the health needs of the nation's rural elderly and special needs populations. Major health issues, associated with a rapidly increasing population of elderly and a dramatic incidence of illness and disease, are dramatically increasing the demands on our nation's rural health care network. The elderly and other vulnerable populations are disproportionate sufferers of malnutrition, depression, accidents, alcoholism, diabetes and neurological diseases and disorders including Parkinson's disease and Alzheimer's disease. With more than $5 million in federal funding, the Center has worked to treat, research and help efforts to prevent these afflictions upon our rural elderly. [FY 2002-2005 Labor-HHS-ED Appropriations bill]

"Federal support for the University of North Dakota School of Medicine and Health Sciences is critical to our mission of teaching, research and service."

— H. David Wilson M.D.
Dean and Vice President for Health Affairs at the University of North Dakota
School of Medicine and Health Sciences

Case Study: Soaring Above All Others

One of the centerpieces of the UND Aerospace School is its Air Battle Captain program. The program trains helicopter pilots for the Reserve Officer Training Corps. Since the program's inception in the early 1980s, more than 167 cadets have been trained. Nearly $8 million in federal funding has been provided since 2002 to support this quality flight training program. [FY 2002-2006 Defense Appropriations bill]

An aviation student performs a preflight check

Conclusion: Federal Funds are Crucial to Our Universities and Colleges

The federal government supports our public higher education institutions in a variety of forms – such as research grants, program funding or tuition assistance for students. What is clear from this report, however, is that no matter what the form of the federal investment, the federal government is crucial to supporting our public universities and colleges.

In fact, the federal share of public support for our higher education institutions is one of the single greatest sources of funds for North Dakota's public universities and colleges.

This is important because, as our federal deficits widen and the federal government becomes mired in deeper debt, there is increasing pressure to reduce federal spending for higher education. We must decide whether reducing federal spending for higher education is in the best interests of North Dakota, its local communities and its families.

Clearly, holding out the opportunity for an affordable, quality college education is something that we value. And North Dakota's universities and colleges have become important centers for research in areas that are providing great strides in the growth of our state's economy.

Federal support for North Dakota's higher education system has provided a great return on the investment, from the well-prepared graduates entering the job market from our schools, to the cutting-edge laboratories breaking new ground in commercial and scientific research. Federal investment in North Dakota's public colleges and universities should continue, in order to maintain the trend of quality graduates, research and community leadership.

"The federal share of public support for our higher education institutions is one of the single greatest sources of funds for North Dakota's public universities and colleges."

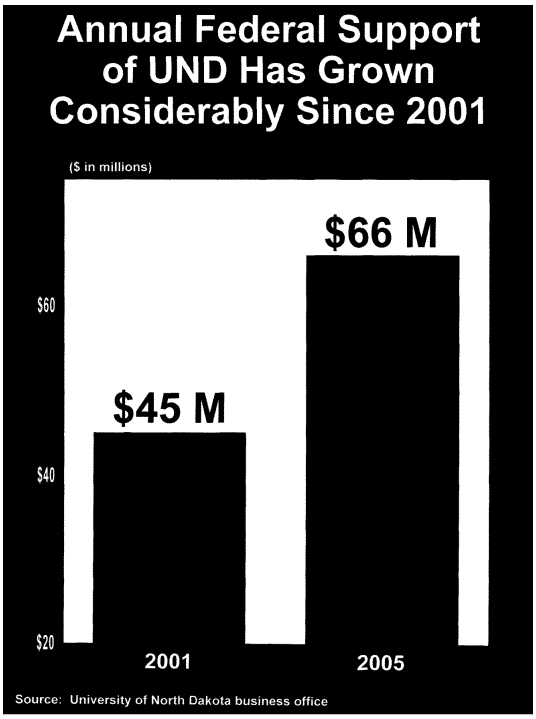

Annual Federal Support of UND Has Grown Considerably Since 2001
($ in millions)
$60
$40
$20
$45 M
$66 M
2001
2005
Source: University of North Dakota business office

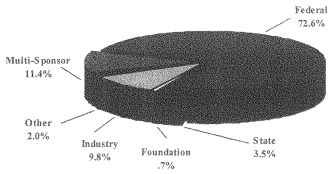
Table 1. Grants and Contracts at UND by Source: FY 2005

Source of Funding	Amount	Amount	Percentage
Federal Government		$49,460,019	72.6%
State Government		2,367,217	3.5%
Foundation		466,901	0.7%
Industry		6,643,368	9.8%
Other		1,405,572	2.0%
Multi-Sponsor		7,787,612	11.4%
Federal and Foundation	$ 20,000		
Federal and Industry	1,032,010		
Federal and Other	2,278,009		
Federal and State	4,454,622		
Federal, State and Industry	2,971		
TOTALS		$68,130,689	100.0%

The "Multi-Sponsor" awards are primarily "pass-through" funds provided by a federal agency to a state, industry or other agency which, in turn, entered into an agreement with the University to pass those federal funds forward.

The federal government, the principal provider of external funding, awarded the University $49,460,019 (72.6 percent) in grants and contracts.

Figure 3-3. Sources of Grants and Contracts Funding: FY 2005



EXECUTIVE SUMMARY

I am pleased to present the Division of Research Annual Report of Sponsored Program Activities for fiscal year 2005 (FY05). At the end of FY05, UND's research portfolio included $276.9 million in total committed accounts, which represents $227.5 million of current sponsored program accounts received for ongoing multi-year awards plus obligations estimated at $49.4 million not yet received for ongoing multi-year awards from external agencies that fund research.

FY05 was another successful year for sponsored program awards, expenditures, and commercialization at the University of North Dakota. For the second consecutive year, awards and expenditures are at or about $80 million. In FY05, sponsored program awards totaled $80.6 million and expenditures reached $74.7 million. While both figures are somewhat less than those seen in FY04, which were $83 million and $82.6 million respectively, FY05 activity continues to reflect the tremendous growth in research activity over the past five years. Both sponsored program awards and expenditures more than doubled over the past five years. Noteworthy in FY05 was the significant increase in the amount of money that UND researchers requested from external sources to fund research compared to the previous year; specifically, $306.6 million in proposals for FY05 compared to $198 million in FY04, an increase of 55 percent. This tremendous increase in the value of grant and contract proposals submitted to external agencies that fund research reflects heightened faculty research activity and is a positive forecaster of increased awards, expenditures, and commercialization activity in the near term. Notably, 72.6 percent of FY05 awards and expenditures stem from federal sources, which represent new money to the State of North Dakota.

The Annual Report that follows is provided in five parts beginning with summaries of; 1) the economic impact of UND sponsored program activity (Part I), 2) sponsored program expenditures (Part II), 3) sponsored program awards (Part III), 4) the North Dakota Experimental Program to Stimulate Competitive Research (ND EPSCoR), which accounts in large part for the advances to research infrastructure that are necessary to support UND's aspirations as a national research institution (Part IV), and 5) the intellectual property activity over the past year that stems from UND research activity along with other details included in a report from Technology Transfer and Commercialization (Part V).

The extent to which UND research serves as a source of economic development is summarized in Table 1-1. UND sponsored program activities in FY05 generated nearly $163 million in economic output and 1,584 jobs across Grand Forks County, the State of North Dakota, and the five-state North Central Region. In addition, UND sponsored program expenditures generated more than $5.9 million in state and local tax revenues, and more than $25 million in federal tax revenues. Table 1-1 shows that the most significant impact of UND research on economic development is felt to an overwhelming extent within the State of North Dakota. For example, $127.9 million of the $163 million of economic output, and 1,284 of 1,584 jobs, are realized within the state. The summary report demonstrating the economic impact of UND sponsored program activity in FY05 is found in Part I.

Table 1-1: UND Research Impact on Economic Output, Employment, and Tax Revenues

	$ Output (Y2005 Dollars)	Number of Jobs	State-Local Tax Revenue	Federal Tax Revenue
University of North Dakota	$80,530,000	724		
GF County	36,820,000	495	$2,500,000	$15,170,000
State	9,520,000	65	320,000	2,320,000
5 State Region	35,920,000	300	3,090,000	8,100,000
Total	$162,780,000	1,584	$5,910,000	$25,590,000

A summary of sponsored program activity for FY05 is shown in Table 1-2. Sponsored program expenditures in FY05 amounted to $74.7 million, a decrease of 9.5 percent compared to FY04 and a 60 percent four-year growth compared to FY01. Grants and contracts expenditures for FY05 amounted to $62.9 million, a decrease of 9.5 percent compared to FY04 and a 59 percent increase compared to FY01.

The majority of research expenditures at UND focuses around three clusters; 1) energy and environmental research, with the Energy and Environmental Research Center leading other units in this cluster with $19.5 million in research expenditures, 2) life and medical sciences, with the School of Medicine and Health Sciences leading other cluster units with $19.1 million in research expenditures, and 3) aerospace and aviation research, with the John D. Odegard School of Aerospace Sciences leading other units in this cluster with $6.5 million in research expenditures. See Part II for further details regarding sponsored program expenditures.

Sponsored program awards amounted to $80.6 million, a decrease of 2.9 percent compared to FY04 and an increase of 78.3 percent over the four-year period from FY01-05. More than $68.5 million of the total sponsored program awards represent grant and contract awards. Over 72.6 percent of the grant and contract awards stem from federal dollars, which is new money to the State of North Dakota. The $68.5 million in grant and contract awards is a slight decrease of 1.7 percent compared to FY04 and an increase of 51 percent compared to FY01.

Table 1-2. Summary of Sponsored Programs Awards and Expenditures: FY05

	Awards (Millions)	Awards Breakdown	Expenditures (Millions)	Expenditures Breakdown
Grants and Contracts	$68,519,889		$62,885,305	
Instruction		$ 3,677,149		$ 3,514,484
Public Service		19,403,286		15,729,376
Research[3]		43,668,400		41,989,882
Other		1,771,054		1,651,563
Unrestricted Awards	$3,333,710		$ 3,105,113	
Faculty Research Seed Money		$ 415,600		$ 437,357
Graduate Research Assistant Tuition Waivers		1,305,147		1,305,147
Research Development and Compliance		168,935		70,218
Research Funds Provided by Deans/Departments[1]		994,698		994,698
Senate Scholarly Activities Committee		112,104		80,482
Vice President for Academic Affairs Start-Up		53,000		53,000
Vice President for Research Discretionary[2]		143,226		42,361
Vice President for Research Matching[4]		141,000		121,850
Student Financial Aid	$ 8,726,678		$ 8,726,678	
SPONSORED PROGRAMS TOTALS	$80,580,277		$74,717,096	

[1] Based on information provided by deans and department chairs
[2] Additional awards made from this fund are included in the total for Faculty Research Seed Money ($41,400) and Research Development and Compliance ($50,000 Arts, Humanities and Social Sciences Awards).
[3] Additional awards from these funds are reflected in the "Research" category above because they were match funds for federal grants.
[4] The number differs from that used in other sections of this report because it reflects matching funds for federal grants.

Part IV summarizes the annual activities of the ND EPSCoR program, which aims to build the proper infrastructure to sustain nationally competitive research in the State of North Dakota, and to enhance and support the technology transfer and commercialization of the intellectual property stemming from the state's two research universities. In FY05, EPSCoR awards on the UND campus amounted to over $1.3 million. Details of these awards can be found in Part IV.

Technology Transfer and Commercialization made outstanding progress in their first full year of operation. Measures to protect the University's intellectual property showed tremendous positive growth. Twenty-two invention disclosures were submitted in FY05, up from one in FY04, and nine patent applications were filed in FY05, up from three in FY04. Complete details related to the protection and management of the University's intellectual property can be found in Part V.

UND is well on its way to achieving the research goals set forth in President Kupchella's strategic plan for 2006-11. The data presented here are strong testimony to the skill and expertise of the university's faculty and staff, and a reflection of the university's commitment to provide proper infrastructure and support for research, scholarship, and creative activity. The continuing success in extramural funding is yet another indication that UND is well on its way at becoming a fully-engaged research institution of the highest caliber, where the University brings its resources to bear on the problems facing the region, the nation, and the world.

Peter Alfonso, Ph.D.
Vice President for Research

The Economic Impact of Research at the University of North Dakota: Fiscal Year 2005

The University of North Dakota received approximately [illegible] million in grant and contract awards in fiscal year 2005. Input-output analysis indicates that the economic impact of these awards on Grand Forks County, the State of North Dakota, and the North Central Census Region was a gross $162.78 [illegible] million in economic output, [illegible] jobs, and almost [illegible] million in local, state, and federal taxes.

This report provides estimates of the economic impacts of the approximately $80.6 million in sponsored research occurring at the University of North Dakota (UND) during fiscal year 2005 (FY05). Estimates are given for Grand Forks County, the State of North Dakota, and the North Central Census Region (North Dakota, South Dakota, Minnesota, Montana, and Wyoming), measured by the value of economic output, employment, and tax revenues.

With the exception of tax revenues, measures of economic impact are frequently categorized as *direct*, *indirect* and *induced* impacts.

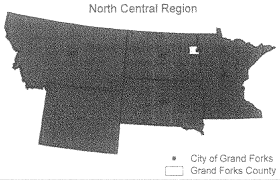
The *direct* impact of the research on a region is the result of spending the available research dollars on the purchase of goods and services such as laboratory supplies or the hiring of students or technicians. The purchase of goods and services from the sponsored research creates economic activity in supporting industries which is referred to as the *indirect* impact. The *induced* impact results from purchases made by those individuals whose income has been generated by employment related to either the *direct* or the *indirect* impact of the sponsored research.

Report Commissioned by the Office of the Vice President for Research

Report prepared by:

J. Lloyd Blackwell, III, Ph. D.
Professor of Economics
Director, Bureau of Business and Economic Research

North Central Region



The Economic Impact of UND Research on Output and Employment

Figure 1 shows the relative effects of the direct, indirect and induced impact of UND sponsored research on the economic output of Grand Forks County, North Dakota, and the North Central Region, respectively. For each dollar spent for research at UND, there was $1.46 in economic activity in Grand Forks County, $1.58 in North Dakota, and $2.06 in the North Central Region. Not suprisingly, the economic impact was greater as the size of the study increased. These results clearly indicate the importance of the research conducted at UND on the local, state and regional economies.

Figure 1: Output per UND Research Dollar

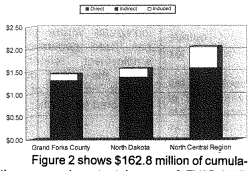
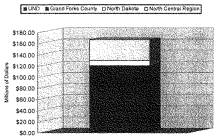


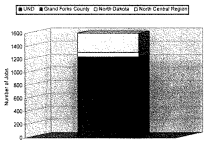
Figure 2 shows $162.8 million of cumulative economic output impact of FY05 UND sponsored research across the region, begining with the direct impact on UND. The impacts added by indirect and induced impact on Grand Forks County, the remainder of North Dakota, and the North Central Region are shown by the heights of their respective blocks. The cumulative impact of UND research within the State of North Dakota is $126,870,000. See Table 1 for additional details.

Figure 2: Cumulative Output



The estimated FY05 employment impact of UND research was approximatley 1,584 jobs, 724 of which were at UND, 495 additional jobs in Grand Forks County, 65 jobs elsewhere in North Dakota and 300 additional jobs outside of North Dakota within the North Central Region. These cumulative employment impacts are shown in Figure 3. The cumulative number of jobs within the State of North Dakota created by UND research is 1,284. See Table 1 for additional details.

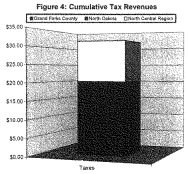
Figure 3: Cumulative Employment



The Economic Impact of UND Research on Local, State and Federal Taxes

Table 1 shows that the indirect and induced impacts of FY05 UND sponsored research generated some $5.9 million in state and local taxes and $25.6 million in federal taxes. Of these, $2.5 million in state and local tax revenues and $15.17 million in federal tax were from Grand Forks County. An Additional $320 thousand in state and local taxes and $2.32 million in federal taxes was generated outside of Grand Forks County. Interestingly, $3.09 million in state and local taxes and $8.1 million in federal taxes were estimated to have been generated outside of North Dakota within the North Central Region. The total state and federal taxes generated by UND's sponsored research was $31.5 million. Figure 4 shows cumulative total tax revenues estimated for Grand Forks County, North Dakota and the North Central Region.

Figure 4: Cumulative Tax Revenues

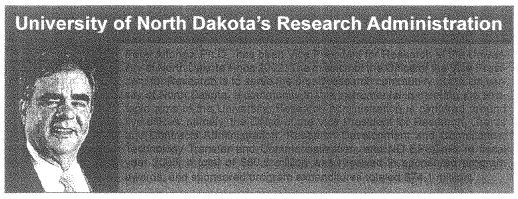


Summary

The $80.6 million in sponsored research received by UND in FY05 is estimated to have had an additional impact of $36.82 million in Grand Forks County, $9.52 million in other counties within North Dakota and $35.92 million in the North Central Region for a total economic impact of $162.78 million. This research is also estimated to have led to the creation of 724 jobs within UND, 495 additional jobs in Grand Forks County, 65 additional jobs in other counties of North Dakota and 300 jobs outside of North Dakota but within the North Central Region for a total of 1,584 jobs. The state, local and federal tax impact of UND research spending was estimated at $17.16 million from Grand Forks County, another $2.64 million from North Dakota and another $11.19 million from the North Central Region, for a total of $31.5 million in state, local and federal taxes attributable to FY05 UND sponsored research.

Table 1: Economic Impact Summary for Fiscal Year 2005

Impact Area	UND Research Impact	
	Output	**Number of Jobs**
UND	$ 80,530,000	724
Grand Forks County	36,820,000	495
North Dakota	9,520,000	65
North Central Region	35,920,000	300
Total	**$162,780,000**	**1,584**
	S/L Taxes	**Federal Taxes**
Grand Forks County	$ 2,500,000	$ 15,170,000
North Dakota	320,000	2,320,000
North Central Region	3,090,000	8,100,000
Total	**$ 5,910,000**	**$ 25,590,000**



UND The University of North Dakota

Divison of Research
PO Box 8367
Grand Forks, ND 58202
Telephone: 701-777-6736
Fax: 701-777-6708
http://www.und.edu/research/

BUDGET IMPACT OF CURRENT AND PROPOSED BORDER SECURITY AND IMMIGRATION POLICIES

WEDNESDAY, AUGUST 30, 2006

U.S. SENATE,
COMMITTEE ON THE BUDGET, AURORA, COLORADO

The Committee met, pursuant to notice, at 2:30 p.m., in Aurora City Council Chambers, 15151 East Alameda Parkway, Hon. Wayne Allard, presiding.

Present: Senator Allard.

Staff present: Scott Gudes, Majority Staff Director, Jennifer Pollom, Majority Staff, Samuel Donoghue, Majority Staff, and Ryan Smith, Senator Allard's staff.

OPENING STATEMENT OF SENATOR WAYNE ALLARD

SENATOR ALLARD. We're going to go ahead and call the Budget Committee hearing to order.

I just want to take a moment here to inform those of you who have taken interest in this hearing to understand the hearing rules of a Senate Committee.

Now, first of all, we don't allow demonstrations in a Senate Committee Hearing, and we would ask that there will be no demonstrations from the audience.

We hear strictly from two panels today, and we will ask the first panel to make 10-minute statements and then there will be a question and response period from the Committee.

Even though we will ask our panel members to give a limited statement to the Committee, their full statement will become a part of the record.

The Senate Budget Committee Field Hearing is on the Budget Impact of Current and Proposed Border Security and Immigration Policies.

Good afternoon. It is my pleasure to welcome you to this Senate Budget Committee Hearing on the Budget Impact of Current and Proposed Border Security and Immigration Policies.

I want to thank each and every one of you for attending today. Today's hearing is the realization of what I've been saying for several months: it is time that we take this debate out of Washington and place it squarely in the hands of the American people—where it belongs.

Taking the debate to the citizens of Colorado serves two purposes. First and foremost, it will allow Coloradans a voice in the debate, and second, it is an opportunity for Coloradans—myself in-

cluded—to study the impact of proposed legislation on the future of this country.

I thank Chairman Judd Gregg for calling this important hearing.

While this is a hearing of the Budget Committee, and thus on the budgetary impact of legislation, the underlying policies we are examining—immigration—happens to be one that evokes strong emotions from people on both sides of the debate.

As a United States Senator, it is my responsibility to see through the cloud of emotional rhetoric that often blurs a debate and do what is in the best interest of the United States and the citizens of Colorado.

The principle which I have relied on to guide me through the debate is simple: the rule of law. While America is a nation of immigrants, she is also a nation of laws. Immigration laws are no exception.

To me, upholding the rule of law means securing our borders, stepping-up interior enforcement, and not rewarding those who have broken our law, especially at the expense of those who are abiding by the law.

While there has been considerable debate with my colleagues who disagree with me on that point, one aspect of the debate that I do not believe has received the attention it deserves is the impact on the budget of our Federal, State, and local governments.

As a member of the Senate Budget Committee, it is my duty to ensure that the budget aspect of all legislation receives the attention it deserves—including immigration.

This aspect is particularly important for the American people to understand because ultimately, as taxpayers, will bear the financial burden.

Toward that end, in May of this year I raised a budget point of order—a tool that allows a Senator to require a closer look at the long-term budget impact of legislation—in response to an immigration proposal being considered on the Senate floor.

While that inquiry brought some needed attention to the impact on the Federal budget, the U.S. Congress has not had sufficient opportunity to hear from our Nation's communities who are at the front lines of the immigration debate.

From law enforcement to education to health care, State and local governments bear many of the costs associated with inadequate border security and interior enforcement.

Rich Jones and Robin Baker of Colorado's Bell Policy Center estimate the costs of providing federally mandated Government services to Colorado's approximately 250,000 illegal immigrants is nearly $225 million per year.

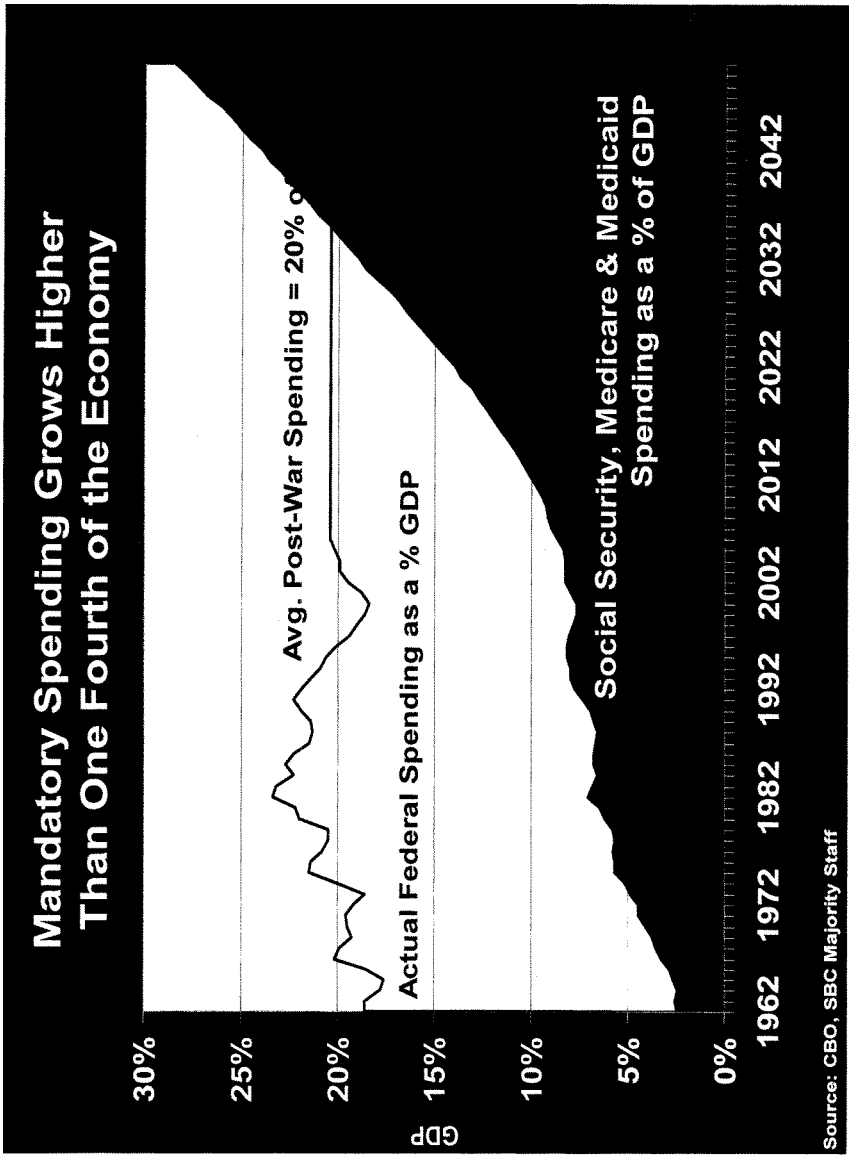
Another group, Defend Colorado Now, estimates the cost to Coloradan's to be in excess of $1 billion per year.

While estimates vary, one thing is for certain: Federal immigration policies have real and profound impacts on States and communities, many of whom struggle to meet the demand for services from their current populations.

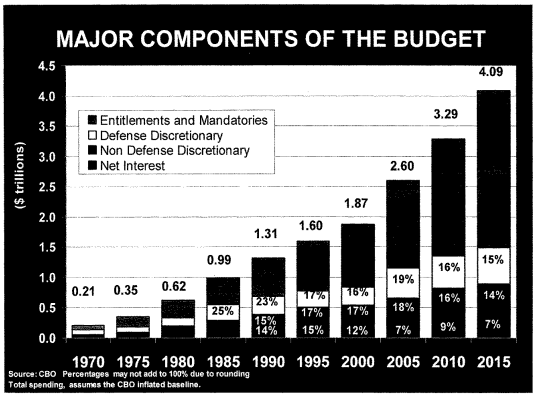
Indeed, with the looming retirement of the baby boomers, even the Federal Government is grappling with how to pay for its existing obligations.

To give you an example of how serious the issues is, by 2030 the cost of just three entitlement programs—that's Social Security, Medicare and Medicaid—alone will exceed the total cost of Government today.

And if you'll look up on the screen, you will notice a chart there that shows that in 25 years, spending on just those three entitlement programs will exceed the total cost of the entire Federal Government today. That is under current law.

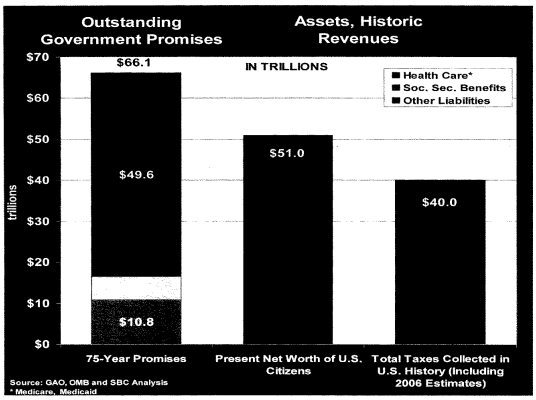

Mandatory Spending Grows Higher
Than One Fourth of the Economy
30%
25%
20%
15%
10%
5%
0%
GDP
Avg. Post-War Spending = 20% o
Actual Federal Spending as a % GDP
Social Security, Medicare & Medicaid
Spending as a % of GDP
1962
1972
1982
1992
2002
2012
2022
2032
2042
Source: CBO, SBC Majority Staff

The next slide that we put here for you shows the mandatory spending, what's accounted for only a small fraction of the budget, today had accounted for nearly two-thirds of all Federal spending, and is expected to grow even more.

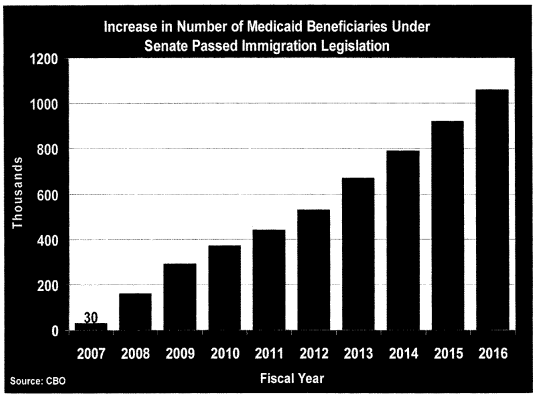


The one-third is where we have the discretionary spending, and that's where a lot of the debate is in the media, and they talk about Congress' spending, it's all in discretionary spending. It's not in the majority of the budget, which is the two-thirds that you see growing there at a tremendous rate.

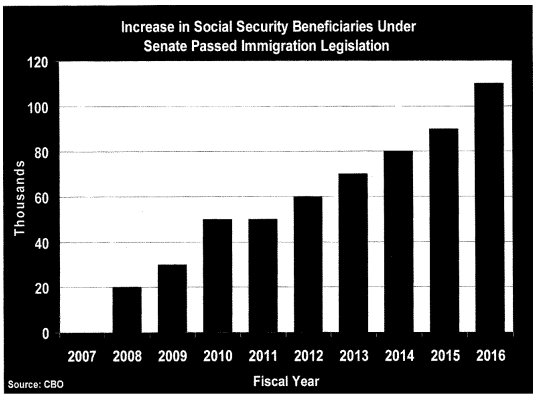
To put this in perspective, the chart shows that outstanding Government promises is larger than the total net worth of every citizen, and then all taxes that are collected in U.S. history.

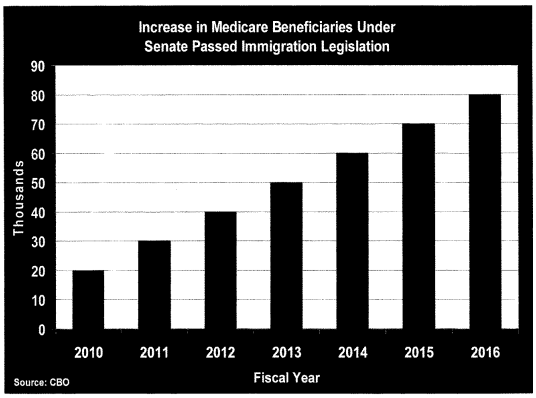


With entitlement programs already consuming the majority of the budget, the Senate bill would make millions more eligible for benefit programs in the next 10 years. This chart shows the increase in the number of Medicaid beneficiaries alone.



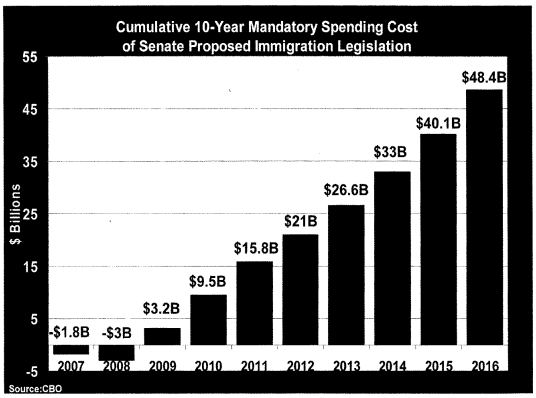
Then the next chart shows what happens with new Social Security beneficiaries in each year, and then the chart showing up now shows more on what we see as far as Medicare growth in beneficiaries.


Increase in Social Security Beneficiaries Under
Senate Passed Immigration Legislation
Thousands
120
100
80
60
40
20
0
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
Fiscal Year
Source: CBO



Now, these are all charts and figures that have been put together by the Congressional Budget Office. The Congressional Budget Office is a nonpartisan agency that serves Members of Congress, giving them budget information that they need to make decisions regarding the Nation's budget.

The next chart that we have up here, as you can tell, put all these programs together, and we see an alarming growth in programs over the next 10 years, before millions more will be legalized after the 10 years.



The testimony that we'll be receiving today, I think it's worth mentioning, that the CBO expert that will be testifying carries the first 10 years, and then we will be hearing testimony from the Heritage Foundation, which will go beyond the 10-year period.

And that is important as far as the Senate legislation is concerned, because it begins to take different action after the 10-year period that would have an impact on your budget.

These staggering statistics exacerbate the need to take an especially close look at proposed changes to our immigration policy that have the potential to increase the population by millions and increase spending by hundreds of billions of dollars.

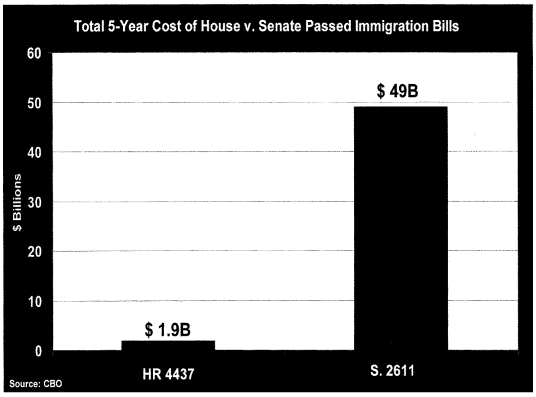
This month, the Department of Homeland Security reported that 11 million illegal immigrants lived in the United States at the beginning of this year.

Significantly, the Department of Homeland Security reports that the number has grown by nearly a half million people each year since the beginning of this century.

This number tells me that our first priority should be to secure the border. Without properly securing our borders, we remain vul-

nerable not only to illegal immigration, but also to those who wish to harm America, such as criminals, drug traffickers or terrorists.

The House and, earlier this year, the Senate both passed immigration bills purporting to address the immigration population. The cost of implementing each, as calculated by the Congressional Budget Office, is shown here on this chart.



The House-passed bill focuses on securing the border. The Senate bill, while addressing border security, also grants citizenship to millions of illegal aliens who already are here and untold millions more who have yet to enter the country.

The Congressional Budget Office estimates that 24 million people will obtain legal status under the Senate bill in just the next two decades.

Scholars, such as Mr. Robert Rector, who we will hear from today, believe that number is vastly understated and is actually closer to 60 million.

My colleagues and fellow members of the Committee, notably Jeff Sessions, earlier this year released an impact analysis showing a

potential increase of 217 million immigrants, or 66 percent of today's population over the same period.

Make no mistake about it, legal immigration can be a good thing. As I said earlier, America is a nation built on the spirit and hard work of immigrants. Recognizing that truth, last year America invited more than one million new permanent immigrants—far more than any other country.

Because America is admired the world over as the land of opportunity, an untold number of the world's six billion people want to come to the United States in pursuit of that opportunity—and understandably so. Because we cannot possibly accommodate them all, we are forced to make tough choices. It is imperative that we make those decisions well informed ones.

Today is a unique opportunity to hear from experts in the field as well as State and local officials who are on the front lines of immigration policy.

We will hear from two panels today. The first panel is compromised of our own Governor Owens, Paul Cullinan of the Congressional Budget Office, and Robert Rector, of the highly respected Heritage Foundation.

Sitting on our second panel are Mayor Ed Tauer, Dan Rubinstein of the Mesa County Meth Task Force, Helen Krieble of the Krieble Foundation, Paula Presley of the El Paso County Sheriff's Office, Tony Gagliardi of the National Federation of Independent Business, and Ken Buck, Weld County District Attorney.

Before we begin with our panels, I would like to take a moment to thank each of the groups and concerned citizens that contacted my office with an interest in this hearing. The overwhelming outpouring of interest demonstrates just how important this issue is to Coloradans.

Because we could not accommodate everyone at the witness table, I am inviting people in the audience to submit written statements, which I will bring with me back to Washington.

Thank you again for coming.

With that, I'd like to welcome our first panel. Governor Owens, thank you for your time today and your leadership on this issue. I'd like to begin with you, Governor.

STATEMENT OF GOVERNOR BILL OWENS, GOVERNOR, STATE OF COLORADO

GOVERNOR OWENS. Mr. Chairman, thank you very much. And Senator, I appreciate this opportunity to represent the State in terms of this discussion. I particularly appreciate—it's good to see you again. Senator Allard and I served together.

I am not a rookie at appearing before the Senator. When he was Chairman of Senate State Affairs in the State Senate, I appeared before you a number of times, so it's good to be with you again, Senator.

You know, thank you for holding this Field Hearing on a very important subject. I believe that the purpose of this hearing, which is to better, perhaps, refine the costs associated with illegal immigration, it's a very important purpose. And, again, I appreciate the invitation to testify.

I have with me today a number of the members from my Cabinet who are most involved in this issue.

I'd like to particularly recognize Marva Livingston Hammons, who is Executive Director of the Department of Human Services.

Also, Steve Toole, who is Executive Director of the Department of Health Care Policy and Finance, as well as Michael Cooke, who is Executive Director of our Department of Revenue.

While many of our departments are involved with and impacted on the issue of immigration, these three professionals are perhaps those who are most in the front lines.

You know, as we've learned here, Senator, in Colorado, while there are very real costs associated with illegal immigration, it's very difficult for a number of reasons to specifically quantify these costs.

I think efforts such as this hearing will help all of us identify better and understand the fiscal impacts of the challenges that we face, not only at the State level, but also at the Federal level.

It is clear that State and local governments do incur significant costs related to illegal immigration, often due to Federal mandates, often due to Federal law that requires that certain things be provided or, in fact, prohibit us from making sure that these services are only given to people who are here illegally.

There are obviously significant costs associated with education. In Colorado, as you remember from your legislative days, about 42 cents out of every State general fund dollar goes to K–12 education. And many of the students in our classrooms are here as a result of illegal immigration.

We're not allowed to ask the questions regarding whether they're here illegally or whether their parents are, but we know from a number of sources that there are, in fact, and as a humane State, that we provide education. We know that there are large numbers of students who are educated in Colorado who are here either illegally themself or were born to moms and dads who themselves are here illegally.

The Federation for American Immigration Reform recently estimated in Colorado that the cost of educating students here illegally in 2004 was $235 million. That's an annual figure, almost a quarter of a billion dollars for students who are here illegally.

FAIR further estimates that the cost to educate the U.S.-born children of illegal immigrants, and these are the children who are citizens themselves but their parents were here illegally, was $329 million.

Well, that means that the sum of those two numbers, it's about a half a billion dollars by FAIR's estimate that we spend annually in the State of Colorado to educate children who are here illegally or children of parents who are here illegally.

The concern is that while we may have 250,000 persons here illegally today, that number has been extrapolating -expanding quickly. We aren't able to precisely put a number to how much each year, but as you mentioned, U.S. estimates are a half million more per year every year since 2000 nationally. Colorado is about 1 percent of the national population, so you can see that it's a significant number here in Colorado.

Another area in which we can very precisely quantify the costs, involves the Corrections Department, Public Safety. We're able to identify the impact to our State Correctional System for housing those who are here illegally who are convicted of crimes and who are, in fact, put in our Corrections System.

In Colorado prisons today, we have about 950 persons in our system who are here illegally and who, upon release, will be detained by Federal authorities for likely deportation.

At a cost of about $27,000 per prisoner, the annual cost to taxpayers to house these offenders is more than $25 million.

Another example involves Medicaid. Half of all Medicaid costs are paid for by the State, another half are paid for by the Federal Government.

A report prepared in Colorado by our legislature's Joint Budget Committee, found that 41 percent of all Medicaid births in Colorado are to non-citizens. Forty-one percent of the children born with the assistance of Medicaid, paid for by Medicaid, are born to non-citizens. Those individuals could be here legally or illegally, but they are not U.S. citizens; most of them are actually here illegally.

That equates to about 8,500 births annually at a cost of about $3,500 per birth that the taxpayers of Colorado are paying, just in terms of Medicaid births. That comes to about $30 million a year we're paying for these more than 8,500 babies who we do pay for in terms of Medicaid. These are real numbers and they're real costs to taxpayers. Illegal immigration is one of the driving forces involved in these costs, and this cost is, again, increasing.

There are some that think that 250,000 persons in a State the size of Colorado isn't a real problem. Well, if 250,000 persons here illegally isn't yet a problem, is half a million? Is three-quarters of a million? Because right now, what we're seeing is these numbers increasing, we believe, significantly on an annual basis.

The Pew Hispanic Center estimates that a quarter of a million illegal immigrants are already here in Colorado. Colorado is fifth in the Nation out of the 50 States in terms of the number of persons here illegally on a per capita basis.

Only four States: California, Nevada, Arizona, and Texas, have a higher percentage of illegal immigrants impacting their State and local services.

At this point, I believe it's important for me to emphasize that I'm not advocating that we stop providing services such as emergency health care. I have often said that we have to approach this issue of illegal immigration in a humane and caring manner, and as you said earlier, we are a nation of immigrants, but we're also a nation of laws and the challenge we face is how to square those two concepts.

But my point is, that the most effective way to lower the costs associated with illegal immigration is to decrease the number of those coming across our borders illegally.

What we need to do is slow that rate of growth and to finally slow the number of persons who are illegally coming across the borders of the United States.

Just as Congress has been wrestling with this issue, so are the States. At our recent Special Session of the Legislature, I believe we've made some significant progress.

I was particularly pleased by the passage of House bill 1023, considered to be the toughest law dealing with illegal immigration passed anywhere in the country to-date.

House bill 1023, which took effect August 1st, provides that State and local governments shall not provide public benefits to those individuals 18 years of age or older who are here illegally. This includes grants, welfare, housing, and unemployment.

The key to our new law is the verification process. Before an individual receives any of these public benefits, they must prove their citizenship through a three-step process.

First, to produce secure photo identification; second, complete and sign an affidavit which, under penalty of law, if they sign that affidavit, under many cases, if they sign it and it's not correct, they can be deported; and third, if the applicant is not a U.S. citizen, the individual's immigration documents must be confirmed through the Federal SAVE program.

This process, we believe, will help ensure that only individuals lawfully present in the United States receive public benefits.

One of the tasks mandated by House bill 1023 was the development of a temporary waiver process, effective until this coming March. Under this process, individuals who are here lawfully and entitled to benefits, but who do not have one of those required forms of identification, won't fall through the cracks.

Michael Cooke, the Executive Director of the Department of Revenue, was charged with developing and implementing the emergency rules for this waiver process. She has done an outstanding job. She has been closely tracking the implementation of this process, and has provided me with the following data.

This information was compiled during the first 4 weeks that House bill 1023 has been in effect.

So far, 71 waivers have been processed by the Department of Revenue. These individuals couldn't produce one of the required forms of identification, but through Departmental research, we believe they are here illegally.

However, the Department has also found 125 cases in which the applicants appeared to be using fraudulent forms of identification. We've referred these 125 cases to the Bureau of Citizenship and Immigration Services for further investigation.

But perhaps most interesting is this statistic: Thus far, we've had more than 1,600 applicants who have been able to provide any valid form of verifiable identification, and the Department of Revenue has been unable to determine their status.

We have asked these 1,600 individuals to return to the Department and provide us the additional information that we require to prove that they're citizens. However, thus far, they have not.

Director Cooke believes that most of these individuals simply were trying to take a chance to see if they could get through our system and get the Federal benefits. We don't believe that most of these individuals are, in fact, citizens and this is a significant step.

She also notes that the Revenue Department has seen a high number of questionable birth certificates. So many, in fact, that the

Department's emergency rules had to be amended to no longer allow birth certificates as an acceptable form of identification for benefit agencies.

In the first 3 weeks the 1023 was in effect, we found more than 150 seemingly fraudulent birth certificates presented to the Department in an effort to obtain a State identification card.

I believe this should raise a serious question, both at the State level as well as at the Federal level, about accepting birth certificates alone as a way to verify a person's identity.

Over the last few years, many States have seen birth certificates stolen. We've seen the theft of blank paper birth certificates, and we're now seeing some of these going through the process in a way to get Federal benefits, because they're filled out, they're sold and re-sold, and then presented to a State like Colorado trying to get State and Federal benefits.

We've seen one particular county in Texas where we now check those birth certificates very carefully, because we've seen so many fraudulent certificates from this one county. We've seen the same thing happen from Puerto Rico.

Since the passage of 1023, we've experienced an exponential growth in the presentation of these counterfeit documents. This is something, Mr. Chairman, that I hope the Committee would carefully consider, especially since under the Deficit Reduction Act of 2005, a birth certificate is one of the federally approved forms of identification that may be used to apply for or renew Medicaid benefits.

So, if you have a birth certificate, you can apply for Medicaid or you can renew Medicaid. We believe that birth certificates are not by themselves a verifiable, and should not be a verifiable, form of identification.

Interestingly enough, we also have seen the same problem with Federal passports. We found passport holders who have two passports in two different names. It's because the Department of State does not require proof of a legal name change in order to get a second passport in a different name.

Even if an applicant cannot provide documented evidence of identity, a passport will still be issued based upon a signed affidavit from an identifying witness who is a U.S. citizen and who has known the applicant for at least 2 years.

So I believe, in fact, the Federal Government should tighten up its own rules to help us at the State level enforce these Federal requirements.

Also, a Federal law, the Deficit Reduction Act, is hampering our enforcement of House bill 1023. The Deficit Reduction Act actually prohibits States from imposing their own identification requirements in order to obtain Medicaid benefits, and the list of allowable federally accepted forms of identification is far more expansive than we have in Colorado.

So at the Federal level, you're far more expansive in terms of the identification that you take compared to what the State of Colorado now takes.

As I mentioned, the list includes birth certificates and passports, and yet we can't narrow that list, based on our experience, with the

fraudulent passports we're seeing at the Federal level, the fraudulent birth certificates that we're seeing from around the country.

The same problem exists involving food stamps. Federal law requires that the identity of the applicant must be verified, but it also says, and I quote, that "no requirement may be imposed for a specific type of identification document." So a State can't say that you have to have a driver's license or a birth certificate or anything specific, because the Federal Government says that "no requirement may be imposed."

This is actually a recipe for fraud in food stamps; it's one I'd ask that you look at in terms of changing Federal law.

States should have the right to require specific forms of identification for these programs, and I would ask you, Senator, to consider helping us provide that flexibility and hope that this Committee will take the lead in proposing these changes.

State and Federal agencies have a duty to develop identification verification programs that are consistent, and if a weak link exists it's going to be exploited by those who want to perpetuate fraud.

You know, the technology does exist to make all of our documents secure and verifiable. In Colorado, we know this first-hand. The Colorado driver's license today is recognized as one of the three most secure driver's licenses out of the 50 States in the country, according to a recent study done by George Washington University.

Our driver's license features a ghost image of a photograph, we process it through a facial recognition system, and, Senator, what this means is if you go into one area and get a driver's license, come back 6 months later in a different office and try and get a driver's license, we put you against our data base, facially recognized data base of points, high probability you won't be able to get that second driver's license based only on the photo we take of you where we measure hundreds of points around a face to make sure that you're not able to come in and get that second driver's license using a false name.

In addition, we require the birth certificates and all of those other documents. So, it is possible, and I would encourage the Federal Government to tighten its standards. And I know how concerned you are about this issue.

Finally, the Federation of Americans for Immigration Reform has urged other States to follow Colorado's lead in terms of passing a bill similar to House bill 1023.

In a letter I received from FAIR shortly after we passed 1023, it States that this "legislation is significantly stronger than any passed anywhere else in the country to-date," and it said, and I again quote, "this is a much needed enhancement of the State's role in ensuring that illegal aliens do not continue to drain taxpayer coffers."

I appreciate again, Senator, your holding this hearing in Colorado. I know you have a number of other distinguished panelists you're going to be hearing from.

Later this afternoon, you're going to be hearing from Helen Krieble, who is going to address an issue that I have some background in, in terms of a Colorado-based plan to not only secure our borders, but also provide after-background checks, a way for people

to work here legally for jobs for which there are not Americans willing to work.

I would particularly ask you to pay attention to our friend Helen Krieble's testimony.

And the problems associated with illegal immigration, I believe, are fixable. But finding and enacting the solution will require a partnership between the Federal Government and the States.

Meetings such as this will help us forge that partnership.

Senator Allard, thank you very much for your courtesy in hearing from me this afternoon.

[The prepared statement of Governor Owens follows:]

Remarks of Gov. Bill Owens
United States Senate Committee on the Budget
August 30, 2006
Governor may deviate from prepared remarks

Good afternoon. Senator Allard, I would like to commend you for holding this field hearing. I believe the purpose of this hearing – to hone in on the costs associated with illegal immigration – is very important. I appreciate the invitation to testify.

I also have with me several Cabinet members who have been very involved in this issue: Marva Livingston Hammons, executive director of the Department of Human Services; Steve Tool, executive director of the Department of Health Care Policy and Finance; and Michael Cooke, executive director of the Department of Revene.

As we have learned here in Colorado in recent months, some of the costs can be elusive. But efforts such as this hearing will help all of us identify and understand the fiscal impacts.

In many cases, the states and local governments incur significant costs related to illegal immigration, often due to federal mandates.

For example, there are the costs associated with education. In Colorado, 42 cents of every state General Fund dollar goes to K-12 education. And many of the students in our classrooms are here as a result of illegal immigration.

The Federation for American Immigration Reform recently estimated that the cost of educating illegal alien students in Colorado, in the year 2004, was $235 million. FAIR further estimates that the cost to educate the U.S. born children of illegal immigrants in that same year was $329 million.

That combines to more than a half-billion dollars, a cost that is most certainly escalating as the number of illegal immigrants in Colorado increases.

Another area in which we can quantify costs involves public safety. We are able to identify the impact to our state correctional system for housing illegal immigrants who are convicted of crimes. In Colorado prisons, we are housing over 950 illegal immigrants who, upon release, will be detained by the federal office of Immigration and Customs Enforcement for likely deportation.

At a cost of nearly $27,000 per prisoner, the annual cost to taxpayers to house these offenders is over $25 million.

Another example involves Medicaid. Half of all Medicaid costs are borne by the state. A report prepared for the state legislature's Joint Budget Committee found that 41 percent of all the Medicaid-paid births in Colorado are for non-citizens. Those individuals could be here legally or illegally, but they are not U.S. citizens.

That equates to over 8,500 births annually at a cost of $3,552 for each delivery. The total comes to over $30 million annually. Those are real numbers, and real costs, to taxpayers. Illegal immigration is one of the driving forces involved in those costs and, unless we stem the tide, those costs will escalate.

The Pew Hispanic Center estimates that a quarter of a million illegal immigrants are already here in Colorado. Colorado is fifth in the nation in the number of illegal immigrants per-capita. Only four states – California, Nevada, Arizona and Texas – have a higher percentage of illegal immigrants impacting their state and local services.

At this point, I believe it is important for me to emphasize that I am not advocating we stop providing services such as emergency health care. I have often said that we must approach this issue of illegal immigration in a humane and caring manner.

My point is this: The most effective way to lower the costs associated with illegal immigration is to decrease the number of illegal immigrants coming across our borders.

Just as Congress is wrestling with this issue, so are the states. At our recent special session of the state legislature, I believe we made progress. I was particularly pleased by the passage of House Bill 1023, considered to be the toughest law dealing with illegal immigration passed anywhere in the country to date.

HB 1023, which took effect August first, provides that state and local governments shall not provide public benefits to those individuals, eighteen years of age or older, who are here illegally. This includes grants, welfare, housing and unemployment.

The key to our new law is the verification process. Before an individual receives any of these public benefits, they must prove citizenship through a three-step process. One: Produce secure photo identification. Two: Complete and sign an affidavit. Three: If the applicant is not a U.S. citizen, the individual's immigration documents must be confirmed through the federal SAVE program.

This process will help ensure that only individuals lawfully present in the United States receive public benefits.

One of the tasks mandated by HB 1023 was the development of a temporary waiver process effective until March, 2007. Under this process, individuals who are here lawfully and entitled to benefits – but who do not have one of the required forms of identification – won't fall through the cracks.

Michael Cooke, the executive director of the Department of Revenue, was charged with developing and implementing the emergency rules for this waiver process, and she has done an outstanding job.

She has been closely tracking the implementation of the waiver process and has provided me with the following data. This information was complied during the first four weeks that HB 1023 has been in effect.

So far, 71 waivers have been processed by the Department of Revenue. These individuals could not produce one of the required forms of identification, but through Department research, were found to be here legally.

However, the Department also found 125 cases in which the applicants appeared to be using a fraudulent form of identification. These 125 cases have been referred to the Bureau of Citizenship and Immigration Services for further investigation.

Perhaps most interesting is this statistic. Thus far, 1,615 applicants have been unable to produce any valid form of verifiable identification and the Department of Revenue has been unable to determine their status.

These individuals have been asked to return to the Department and provide additional information. However, thus far, they have not. Director Cooke believes that most of these individuals simply took a chance that they would be able to get through the system and obtain an identification card. The fact that they have not returned to the Revenue Department with current or verifiable identification leads director Cooke to believe that most of them simply are not eligible.

She also notes that the Revenue Department has seen a high number of questionable birth certificates. So many, in fact, that the Department's emergency rules have been amended to no longer allow birth certificates as an acceptable form of identification for benefit agencies.

In the first three weeks that HB 1023 has been in effect, over 150 seemingly fraudulent birth certificates have been presented to the Department in an attempt to obtain a state identification card. I believe this should raise serious questions about accepting birth certificates alone as a way to verify a person's identity.

Over the last few years, many states have experienced theft of paper birth certificate blanks. As a result, the birth certificate is one of the most frequently counterfeited documents being used in attempts to obtain state-issued identity cards.

Director Cooke reports that El Paso county in Texas and Puerto Rico have been the source of many of the counterfeit birth certificates seen in Colorado. Since the passage of HB 1023, we have experienced an exponential growth of the presentation of these counterfeit documents.

This is something for the committee to carefully consider, especially since – under the Deficit Reduction Act of 2005 – a birth certificate is one of the federally-approved forms of identification that may be used to apply for or renew Medicaid benefits. A passport also may be used, and even passports can be suspect.

We have found that some passport holders have two passports in two different names. The Department of State does not require proof of a legal name change. And even if an applicant cannot provide documented evidence of identity, a passport will still be issued based upon a signed affidavit from an "identifying witness" who is a U.S. citizen and who has known the applicant for at least two years.

Further, we have found that certain federal laws, including the Deficit Reduction Act, are hampering our enforcement of House Bill 1023. The Deficit Reduction Act prohibits states from imposing their own identification requirements to obtain Medicaid benefits, and the list of federally-accepted forms of identification is far more expansive than Colorado's. As I mentioned, the list includes birth certificates and passports, and the state cannot narrow that federal list.

The same problem exists involving food stamps. Federal law requires that the identity of the applicant must be verified, but also says that "no requirement may be imposed" for a specific type of identification document.

States should have the right to require specific forms of identification for such programs. I urge Congress to provide that flexibility and hope that this committee could take the lead in proposing these changes.

State and federal agencies have a duty to develop identification verification procedures that are consistent. If a weak link exists, it will be exploited by those seeking to perpetrate fraud.

The technology exists to make all of our documents secure and verifiable. In Colorado, we know that firsthand. Colorado's driver's license has been recognized as one of the three most secure driver's licenses in the United States according to a study conducted at George Washington University.

The security features on our license include a ghost image of the photograph, processing through a facial recognition system, and central issuance from an off-site location.

Identity management is a key issue for public policy. I believe you will hear more about it in Congress as other states begin considering Colorado-type legislation. In fact, FAIR – the Federation for American Immigration Reform – is urging other states to follow our lead and use House Bill 1023 as a model.

FAIR, in a letter I received shortly after the passage of HB 1023, states that this legislation is – quote – "significantly stronger than any passed elsewhere in the country to date."

And FAIR concludes that the legislation is – again quoting – "a much needed enhancement of the state's role in ensuring that illegal aliens do not continue to drain taxpayer coffers…" That point is especially pertinent for this committee, given your focus on the budget impacts of illegal immigration.

I commend you for convening this hearing. I also commend you for inviting Helen Krieble to appear before you later this afternoon. The Colorado-based Krieble Foundation has developed a private sector, free market plan that I have enthusiastically endorsed. The plan addresses border security concerns while also recognizing the real need for guest workers.

The plan utilizes a two-track approach. On one track would be those who are seeking U.S. citizenship. To become American citizens, they would have to meet all federal requirements. The other track creates a program to provide guest workers with appropriate legal status. Helen will provide you with more details during her testimony.

Once again, I commend you for your efforts and appreciate this opportunity to appear before you. The problems associated with illegal immigration are not insurmountable. But finding and enacting the solutions will require a partnership between the federal government and the states. Meetings such as this will help forge that partnership.

The red light that has now been pulled off the podium, the green light indicates, and then when the red light starts flashing, you're past 10 minutes.

So, Mr. Paul Cullinan, who is with the Congressional Budget Office, you specialize in human resource cost estimates, and we're anxious to hear from you, Paul.

STATEMENT OF PAUL CULLINAN, CHIEF OF HUMAN RESOURCES COST ESTIMATES, CONGRESSIONAL BUDGET OFFICE

Mr. Cullinan. Thank you, Mr. Chairman, thank you for this opportunity to be before your Committee to discuss the budgetary and economic implications of immigration and border security policies.

I 'll try to summarize my remarks fairly quickly. The major points I'd like to make are that immigration reform and border enforcement can have significant effects on Federal revenues and spending.

For example, the Congressional Budget Office just recently estimated the Senate-passed immigration bill, S. 2611, and determined

that Federal mandatory spending would rise by roughly $48 billion over the next 10 years, and revenues, assuming a technical change in the language, would climb by about $44 billion.

In addition, the bill authorizes $81 billion in additional spending that will subsequently go before the Appropriations Committees for their approval.

Changes in immigration policy can have significant or measurable effects on labor markets and the economy. In CBO's estimation, the immigration bills that have been before the Congress this year could affect economic growth, but most of those effects would be relatively small.

A rise in immigration can improve Social Security finances, depending on what the mix of immigrants is. But, again, the Social Security financing shortfall is much larger than what can be resolved through an increase in immigration at the levels that are foreseen in the recent legislation.

And, tightening border security and enhancing workplace compliance with immigration and labor laws will require future Congresses to devote significantly larger amounts of resources to those activities.

My written testimony has a brief description of some of the major aspects of the bills. I'll pass over that.

The effects of immigration policies on the Federal budget are really quite complicated and uncertain, and as a result, difficult to estimate.

The uncertainties surround a number of factors: One, data on the immigrant population, particularly the illegal immigrant population, are very difficult to arrive at. Much of that is done through statistical imputations or matching, and we don't have information directly as we would from administrative records on many of those individuals.

Second, many of the behaviors we have to evaluate are difficult to predict in advance, either for the immigrants and workers themselves, or for the employers.

For example, how will employers respond to the proposed guest worker program in the Senate bill?

That largely follows on to my next issue: the way the administrative structures and enforcement procedures are developed is critically important to what the ultimate budgetary outcomes are going to be for these changes in policy.

CBO's review of the literature indicates that, in general, immigration tends to result in favorable outcomes at the Federal level but unfavorable outcomes at the State and local levels.

That's largely because these individuals tend to have lower wages than the native-born population and tend to have more children. Thus, they end up receiving more in Federal benefits typically, or State and local benefits and services, than native-born individuals, and their lower wages tend to mean that they will pay fewer taxes.

Over time, the addition of their children to the work force may or may not offset some of these additional costs at the front-end. It depends, again, on the actual characteristics of the immigrant population.

The Joint Committee on Taxation (JCT) and the Congressional Budget Office recently estimated the Senate bill. The direct spending, that is, for things that would happen without further legislative action as a result of the bill, again, was $48 billion over 10 years.

More than half of those costs came from refundable tax credits, which are estimates provided by the Joint Committee.

If the Act was amended to fulfill its intent, at least as far as the Judiciary Committee Staff indicated to us, it would also raise revenues by $44 billion over the period. There is a glitch in the language, at least in terms of JCT's evaluation.

And, again, there are even more costs to be appropriated, assuming the bill is enacted and the Congress comes forward and actually appropriates those moneys.

As you pointed out in your opening remarks, the CBO and JCT estimates have two potentially major limitations for issues such as immigration reform.

First, they are 10-year estimates. That is the structure under which we have been estimating all of the legislation before the Congress for the last decade or so.

Immigration's effects are going to be felt for decades to come, so it's very important to have some assessment of the longer view of things.

The second thing is that we are assessing what this piece of legislation does, and that is limited to the direct effects on Medicaid, food stamps, the refundable tax credits, and other mandatory programs.

The reason I point that out is that the larger number of immigrants could very easily encourage the Congress and State legislatures to have to put more resources on the table than currently are provided under statute.

For instance, in the Medicaid program, benefits for the uninsured are largely paid out of disproportionate share payments, and those are very close to their caps. Therefore, Congress would have to come in and raise those caps if it was to provide more funding for those activities.

As I mentioned before, immigration policy can have an effect on Social Security. CBO and the Social Security Administration model these changes. In general, a level increase in immigration tends to be favorable for the system.

The Social Security Administration estimates that about one-eighth of the shortfall in the program would be eliminated by an increase of 400,000 in net immigration.

It also estimated S. 2611, and it shows about half as large an effect for that bill. But, again, these are very sensitive estimates; the mix of immigrants according to their age, education, earnings capacities, family characteristics, will make a difference.

One other aspect of the immigration policies we see before us is, at least in the Senate, a path for a legalization of those who are currently here and undocumented.

Many of those people already pay Social Security taxes, but they have paid them on Social Security records that can't be linked to them, in essence, and therefore, if they were to become legalized,

we would not get as much revenue off of those new, legal employees as we would from a new immigrant, per se.

We're already getting a sizable fraction of those revenues, so the legalization for those individuals, from a Social Security standpoint, would not be favorable.

With regard to macroeconomic effects, and I'll just summarize very quickly, an increase in the labor force, we're assuming about two and a half million additional workers under the Senate bill—would raise revenues according to the Joint Committee and, in fact, if we followed through with a more robust analysis, it would have an even larger effect on the economy, and therefore on revenues, as well.

Finally, on border security and workplace compliance, one of the issues that I think we need to keep in mind is that nearly half of the people who are here illegally came via a legal mechanism and basically overstayed their visa. Border security by itself may only be addressing those who are coming here illegally, not those who come legally but stay beyond the expiration of their visa.

Another aspect is that border security might have the inadvertent effect of actually encouraging people who are here illegally to stay. If it's harder for them to get back into this country, then they may decide that they won't leave at all. In particular, with regard to Mexico, there has been a significant amount of return migration, cycling in, cycling out.

The other aspect is that enforcement through the employment verifications may be a very significant factor in this. If illegal workers can't find employers to hire them because of much more stringent employment verification, then their reason for coming and their reason for staying would be diminished.

So I'll be happy to answer any questions you may have.

[The prepared statement of Mr. Cullinan follows:]

CBO TESTIMONY

Statement of
Paul R. Cullinan
Chief, Human Resources Cost Estimates Unit

The Budgetary Impact of Current and Proposed Border Security and Immigration Policies

before the
Committee on the Budget
United States Senate

August 30, 2006

This document is embargoed until it is delivered at 2:30 p.m. (MDT) on Wednesday, August 30, 2006. The contents may not be published, transmitted, or otherwise communicated by any print, broadcast, or electronic media before that time.

CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515

Mr. Chairman and Members of the Committee, thank you for the opportunity to appear before you to discuss the budgetary and economic effects of immigration and border security policies.

Following are the major points I would like to make today:

- Immigration reform and border enforcement could have significant effects on federal spending and revenues. For example, the Congressional Budget Office (CBO) and the Joint Committee on Taxation (JCT) estimate that if S. 2611, the Comprehensive Immigration Reform Act of 2006, was enacted with certain technical changes, federal spending for mandatory programs would rise by $48 billion over the next 10 years and revenues would climb by $44 billion.[1] In addition, CBO estimates, implementation of S. 2611 would require roughly $81 billion in additional appropriations over the 10-year period, resulting in $78 billion in added outlays.

- Changes in immigration policy could have measurable effects on labor markets and the economy. In CBO's estimation, S. 2611 would increase economic growth but only by a small degree.

- A rise in immigration could improve the financial outlook for the Social Security system, but if the magnitude of such an increase was similar to that foreseen in recent legislation, its effects would not avert the projected funding shortfall in the program's long-term outlook.

- Tightening border security and enforcing employment eligibility verification more stringently would require future Congresses to allocate significantly greater resources to those activities than have been provided in recent years.

Overview of S. 2611 and H.R. 4437

Before addressing the major points outlined above, it may be useful to compare the two immigration bills that have been passed by the House and the Senate (see Table 1). The House bill, H.R. 4437, focuses on border security and employment eligibility verification. The Senate bill also addresses those issues but in addition would make major changes in the avenues for legal immigration and would authorize additional funding for immigration and customs personnel, detention facilities, and workplace compliance staff. Further, S. 2611 would establish a process for many of those who currently work illegally in the United States to adjust their status to remain in the country legally.

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1. The technical changes would affect subsection 601(b) of the act, which provides an exemption from criminal and civil tax liabilities for employers that hire workers who have applied to have their legal status changed. JCT estimates that the act as written would reduce payroll and income tax revenues by $80.3 billion over the next 10 years. The act as intended, according to the description by Judiciary Committee staff, would increase such revenues by $41.9 billion, in JCT's estimation. CBO's estimate of the revenues from fines, penalties, and fees ($1.7 billion) is unaffected by that drafting issue.

Table 1.

Comparing Major Elements of the House and Senate Immigration Bills

Provisions Affecting:	H.R. 4437	S. 2611
Border Enforcement	Additional personnel and other resources at ports of entry; 730 miles of fencing	Additional personnel and resources at ports of entry; additional border patrol agents; 420 miles of fencing and 700 miles of vehicle barriers
Alien Detention	Reimbursements to state and local governments for costs of detaining aliens	Reimbursements to state and local governments for costs of detaining aliens; acquisition of additional space for detention of not less than 20,000 aliens
Other Immigration Enforcement	Broadened coverage of the definition of alien smuggling; upgraded penalty for illegal presence; stiffened penalties for repeat offenders	Broadened coverage of the definition of alien smuggling; upgraded penalty for illegal presence; stiffened penalties for repeat offenders
Employment Eligibility Verification and Compliance	Mandatory employment eligibility verification of new employees by all employers, to take effect two years after enactment; eligibility verification of all other employees within six years after enactment	Mandatory employment eligibility verification by all employers, to take effect 18 months after the appropriation of at least $400 million; eligibility verification of critical employees to take effect immediately
Guest-Worker Program	None	Admission of a maximum of 200,000 guest workers (plus their dependents) annually
Employer-Sponsored and Family-Based Visas	No change	Increase in employment-based visas from 140,000 to 450,000 annually plus carryover for 2007 to 2016 and an increase to 290,000 plus carryover thereafter; imposition of a cap of 650,000 on new employment-based visas; increase in family-based visas from 226,000 to 480,000 annually plus carryover; exemption of certain highly educated workers and others from annual numerical limits

Continued

Table 1.

Continued

Provisions Affecting:	H.R. 4437	S. 2611
H-1B Visas	No change	Increase from 65,000 to 115,000 annually; formula to allow cap to fluctuate in future years
Legalization for Undocumented Workers	None	Authorization to allow certain undocumented workers (and their dependents) who have been in the United States for more than five years to adjust their status; authorization to allow those who have been here from two to five years to qualify for deferred mandatory departure status and to apply for the guest-worker program
Legalization for Undocumented Agricultural Workers	None	Creation of a "blue card" program for up to a total of 1.5 million agricultural workers (plus their dependents)

Sources: Congressional Budget Office; Congressional Research Service.

Federal Budgetary Effects of Immigration Policies

The effects of immigration policies on the federal budget are complicated and uncertain. The complexity stems from the myriad aspects of immigration—legal immigration, illegal immigration, and emigration—which interact in multiple ways. (Other entrants to the United States, such as asylees and refugees, involve a largely different set of considerations.) Moreover, an understanding of the issues relating to illegal immigration is limited by the obvious difficulty of obtaining reliable information from a portion of the population that has an incentive to remain uncounted.

The uncertainty surrounding assessments of the budgetary impact of proposed immigration policies relates to several factors. First, the lack of reliable information means that estimates of even near-term budgetary effects are highly uncertain. Second, the hard-to-predict behavior (of both immigrants and potential employers) makes it extremely difficult to project economic and budgetary effects over the long term with much confidence. Third, the way changes in the administrative and enforcement procedures associated with some of the proposed policies are implemented can strongly influence the policies' effects on the economy and the budget.

Immigrants are drawn to the United States for a variety of reasons, including opportunities for employment, the reunification of families, and, perhaps, access to certain services. The rewards for many potential immigrants are sufficient to encourage a substantial number of them to enter this country illegally (or to exceed the stays granted in temporary visas) when legal avenues to entry and employment are limited.

CBO's review of the research on immigration found that over the long term, immigration tends to affect federal finances positively and state and local finances negatively. Evaluating immigration's net effect on the federal budget is complicated by the fact that immigrants generally differ from native-born people in a variety of ways. For example, immigrants tend to have lower earnings than native-born workers do, so they may generate less tax revenue and receive more benefits from needs-based programs such as Medicaid and Food Stamps. Immigrants also tend to have more children than their native-born counterparts do—meaning that in the short run, they may create more demand for public education and other programs aimed at children but in the long run leave more descendants—who in turn pay taxes and receive government services. Another factor that affects budgetary impact is the skill level of new workers. Policies that provided more access for lower-skilled workers would yield less favorable results for the federal budget than those focusing on higher-skilled workers.

Emigration also helps determine how immigration policies affect the federal budget. Workers who leave the United States before earning the quarters of coverage required to qualify for Social Security and Medicare receive no benefits from those programs unless their home country has a so-called totalization agreement or treaty with the United States. Thus, many workers who return to countries that have no such arrangements pay U.S. federal taxes but receive no benefits.

CBO and JCT recently estimated the effects on the federal budget of enacting S. 2611. Over the next 10 years, mandatory (direct) spending would increase by $48 billion, according to the two agencies, with more than half of those costs attributable to refundable tax credits (see Tables 2 and 3). If the act was implemented as it was intended to be, it would also raise revenues—mostly payroll and income taxes—by about $44 billion over the same period. In addition, CBO estimates, implementation of S. 2611 would require roughly $81 billion in additional appropriations over the 10-year period, resulting in $78 billion in added outlays.

Table 2.

Summary of Estimated Budgetary Effects of S. 2611 as Passed by the Senate

(Billions of dollars, by fiscal year)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total, 2007–2016
					Changes in Direct Spending						
Estimated Outlays											
On-budget	-1.8	-1.4	5.9	5.9	5.8	4.6	4.9	5.6	6.2	7.4	43.3
Off-budget	*	0.1	0.3	0.4	0.5	0.5	0.7	0.8	0.9	1.1	5.2
Total	-1.8	-1.2	6.2	6.3	6.3	5.2	5.6	6.4	7.1	8.5	48.4
					Changes in Revenues						
Estimated Revenues											
On-budget	-1.4	1.7	-5.4	-8.4	-8.1	-3.8	-2.9	-2.3	0.1	1.6	-28.9
Off-budget	-4.3	-8.3	-9.9	-9.5	-8.0	-6.2	-5.0	-3.9	-0.1	5.6	-49.6
Total	-5.7	-6.7	-15.3	-17.9	-16.0	-10.0	-8.0	-6.2	*	7.2	-78.5
					Changes in Spending Subject to Appropriation						
Estimated Level of Authorizations	10.3	5.6	5.8	7.2	8.3	9.3	7.6	8.2	8.9	9.5	80.8
Estimated Outlays	3.7	6.3	7.6	7.3	8.3	9.1	9.2	8.9	8.7	9.3	78.3
Memorandum:											
					Changes in Revenues Based on the Act's Intent as Conveyed by Staff						
Estimated Revenues											
On-budget	-0.8	3.3	-3.2	-6.2	-6.0	-1.9	-1.2	-0.7	1.3	2.0	-13.6
Off-budget	-0.9	1.8	4.5	5.7	6.4	7.0	7.5	7.7	8.4	9.1	57.2
Total	-1.8	5.1	1.3	-0.5	0.3	5.0	6.3	7.1	9.6	11.1	43.6

Sources: Congressional Budget Office; Joint Committee on Taxation.

Notes: Numbers may not add up to totals because of rounding.

For changes in direct spending, estimated budget authority would be equal to estimated outlays.

* = less than $50 million.

Cost estimates provided by CBO and JCT cover only the next 10 years. However, the budgetary effects of legislation that changed the level and composition of net immigration in this country would last for decades. The legislation's impact on mandatory spending in the first 10 years after enactment would be constrained by the restricted access to federal benefit programs that now applies to people who have fewer than five years of legal permanent resident status. For example, under S. 2611, most of the additional Medicaid spending over the next 10 years would result from emergency medical assistance and full Medicaid benefits for children of the new immigrants who had been born in the United States. Eventually, immi-

Table 3.

Estimated Effects of S. 2611, as Passed by the Senate, on Direct Spending by Program

(Outlays in billions of dollars, by fiscal year)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total, 2007-2016
Refundable Tax Credits[a]	*	1.3	3.1	3.7	3.7	2.7	2.6	2.6	2.3	2.5	24.5
Medicaid	0.1	0.2	0.5	0.6	0.8	1.0	1.4	1.8	2.3	2.9	11.7
Social Security (Off-budget)	*	0.1	0.3	0.4	0.5	0.5	0.6	0.8	0.9	1.0	5.2
Medicare	0	0	*	0.1	0.3	0.4	0.5	0.6	0.8	0.9	3.7
Food Stamps	*	*	*	0.1	0.1	0.2	0.3	0.4	0.6	0.7	2.4
Child Nutrition	*	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	1.3
Compensation for Error	*	0.1	0.1	*	*	*	*	*	*	*	0.4
Supplemental Security Income	*	*	*	*	*	*	*	0.1	0.1	0.1	0.3
Unemployment Insurance	0	0	0	*	*	*	*	*	0.1	0.1	0.2
Student Loans	*	*	*	*	*	*	*	*	*	*	0.1
Visa Fees	-1.9	-3.0	2.1	1.3	0.8	0.1	-0.1	-0.1	-0.1	-0.1	-1.2
Total	**-1.8**	**-1.2**	**6.2**	**6.3**	**6.3**	**5.2**	**5.6**	**6.4**	**7.1**	**8.5**	**48.4**
On-budget	-1.8	-1.4	5.9	5.9	5.8	4.6	4.9	5.6	6.2	7.4	43.3
Off-budget	*	0.1	0.3	0.4	0.5	0.5	0.6	0.8	0.9	1.0	5.2

Sources: Congressional Budget Office; Joint Committee on Taxation.

Notes: Numbers may not add up to totals because of rounding.

* = costs or savings of less than $50 million.

a. Refundable tax credits include the outlay portion of the earned income and child tax credits.

grant families with limited income and resources would become eligible for full Medicaid coverage in most states, boosting spending for the program. However, the revenue gains under the legislation would probably also be greater beyond the 10-year period, as the new workers became more experienced (and earned higher wages) and their offspring entered the labor market.

Long-Range Effects on Social Security Financing

Although immigration policy could have significant implications for the finances of the Social Security program, the effects of the changes embodied in S. 2611 or similar bills would not eliminate the funding pressures on the program in coming decades. Under S. 2611, additional workers would be allowed to work legally in the United States, boosting both payroll taxes and benefit payments of the Social Security system. The net impact of those workers would depend on their character-

istics (such as age, educational attainment, health status, and earnings capacity) and those of their families.

The Social Security Administration and CBO have both constructed computer models of Social Security's finances, and when increases in immigration are simulated in the models, the program's finances generally show improvement because additional revenues are collected before new benefit payments are made. The 2006 report of the Social Security trustees indicated that an increase of 400,000 people in annual net immigration would improve the actuarial balance of the program by 0.26 percent of taxable payroll, or about one-eighth of the program's estimated 75-year shortfall.[2] CBO's simulations yielded similar results. The Social Security Administration's Office of the Chief Actuary estimated that under S. 2611, the 75-year shortfall would be reduced by 0.13 percent of taxable payroll.[3]

The estimated effects that changes in immigration policy would have on Social Security's finances are sensitive to the nature of those changes. The initial revenue gains would be smaller, for example, if the new immigrants earned less than previous cohorts of immigrants covered under Social Security. The additional benefits paid would also be less—but not quite proportionately, because of the program's progressive benefit formula. In addition, if the policy changes affected undocumented workers (and their employers) who had already paid Social Security taxes, a change in their status would put them on track to eventually receive benefits but with no commensurate gain in revenues—thereby worsening the system's finances. S. 2611 would increase both the number of less-skilled workers legally employed in the United States (through the guest-worker program and a larger share of green cards for that category of workers) and the number of higher-skilled workers (through the expansion of employment-based visas and the exclusion of highly educated immigrants from numerical limits).

Potential Macroeconomic Effects

Immigration reform and border security enhancements could affect the economy in a variety of ways. Some of those effects might be felt broadly, throughout the country, whereas others might be concentrated in certain economic sectors or geographic locales. For example, CBO estimates that S. 2611 would add about 2.5 million employees to the U.S. workforce by 2016, mostly through its guest-worker program and higher caps on the number of legal immigrants. The work performed by those additional employees would increase the production of goods

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2. See Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds, *2006 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (May 1, 2006), available at www.ssa.gov/OACT/TR/TR06/index.html.

3. Letter to Senator Charles E. Grassley from Steve Goss, Chief Actuary, Social Security Administration, July 24, 2006.

and services and raise the level of gross domestic product (GDP), all other things being equal. Alternatively, tightening border security and enforcing employers' compliance with immigration laws could slow net inflows of unauthorized workers, which in turn could dampen the growth of the labor force.

Beyond the direct effects on the size of the workforce, legislation such as S. 2611 might affect the economy in other ways. CBO analyzed the economic effects of an earlier version of S. 2611 (the bill as introduced) under two different assumptions about how investment might respond to the legislation's enactment. In CBO's estimation, the level of GDP would rise by 0.3 percent to 0.4 percent during the 2007–2011 period and by 0.8 percent to 1.3 percent over the following five years. Under the Senate-passed version of S. 2611, GDP would increase by a smaller amount—because the estimated effects of that bill on the number of additional workers would be about two-thirds as great as the effects estimated for the bill as introduced.

Those economic effects in turn could affect the budgetary impact of S. 2611. In its estimate of the bill's implications for revenues, JCT included the effect of taxes on wages earned by additional immigrants as well as the effect of reductions in average wage rates stemming from additional workers. CBO had earlier calculated the additional budgetary impact (for the bill as introduced) of the potential changes in economic activity and estimated that they could improve the bill's budgetary impact by about $20 billion to $30 billion over the 2007–2011 period and by about $60 billion to $130 billion over the 2012–2016 period. Again, the effects for the act as passed by the Senate would be smaller because of that bill's more modest impact on the labor force.

Border Security and Workplace Compliance with Immigration Laws

Slowing the flow of illegal immigration and ending the employment of undocumented workers would require substantial increases for many years in spending for border security and workplace compliance activities. However, unless those activities were well designed and coordinated, the allocation of additional funds to such efforts would not achieve policymakers' objectives.

In recent years, funding for border security has risen sharply, but it has not kept sizable numbers of illegal migrants from entering the country or many legal migrants from overstaying their visas. Although the United States has nearly doubled the number of its border patrol agents over the past decade, a large flow of immigrants continues to enter the United States illegally. Moreover, a recent study by the Pew Hispanic Center estimated that roughly 40 percent to 50 percent of people who are now here illegally entered the country by legal means. The center's most recent estimate of the number of people residing in the United States without legal

authorization was 11.1 million for March 2005, an increase of 800,000 above its estimate for the previous March and a rise of 2.7 million since April 2000.

S. 2611 and H.R. 4437 would each authorize increased funding for additional border enforcement (including fencing and other physical barriers), detention facilities, and port security. The Senate bill would also significantly boost the number of border patrol officers as well as add immigration and customs officials away from the borders. Although those additional resources could be expected to impede the flow of illegal entrants to this country as well as increase the apprehension of those residing here illegally, people who wished to obtain work in the United States could still find many other ways to gain access. Moreover, enhanced border security could have certain unintended results. For example, the emigration of illegal workers could become more infrequent. Those workers might be less likely to leave if they knew that it had become more difficult for them to reenter the country.

Enforcement of employment eligibility verification is the other major avenue for addressing both immigration and border security concerns. To most observers, it is clear that higher wages are a powerful incentive that encourages workers to cross U.S. borders illegally. If employment eligibility verification, employer sanctions, and workplace compliance were all toughened, the economic returns from illegal immigration could be substantially reduced. In other words, if employers in this country became less willing to risk fines and other penalties associated with hiring illegal workers (or workers with questionable identification), the reduction in employment opportunities for illegal immigrants would lessen the economic rewards for entering or staying illegally.

Congressional Budget Office Publications on Immigration

The following CBO publications are available in a special collection on CBO's Web site at www.cbo.gov/publications.

S. 2611, Comprehensive Immigration Reform Act of 2006, Cost estimate of the bill as passed by the Senate on May 25, 2006 (August 18, 2006).

Projections of Net Migration to the United States (June 2006).

S. 2611, Comprehensive Immigration Reform Act of 2006, Letter to the Honorable Jeff Sessions providing additional detail on the cost estimate for S. 2611 as introduced on April 7, 2006 (May 24, 2006).

S. 2611, Comprehensive Immigration Reform Act of 2006, Cost estimate of the bill as introduced on April 7, 2006 (May 16, 2006).

Immigration Policy in the United States (February 2006).

Global Population Aging in the 21st Century and Its Economic Implications (December 2005).

"The Impact of Immigration on the Long-Term Budget Outlook," Box 1-2 in *The Long-Term Budget Outlook* (December 2005).

The Role of Immigrants in the U.S. Labor Market (November 2005).

Remittances: International Payments by Migrants (May 2005).

A Description of the Immigrant Population (November 2004).

Senator ALLARD. Thank you very much. Next we have on the panel Robert Rector, a Senior Research Fellow with the Heritage Foundation. Welcome, Robert.

STATEMENT OF ROBERT RECTOR, SENIOR RESEARCH FELLOW, THE HERITAGE FOUNDATION

Mr. Rector. Thank you. Thank you for having me here.

I 'm going to speak today about the fiscal costs of low skill immigration with specific reference to the Senate-passed immigration bill S–2611.

To kind of put the whole thing into perspective, we need to understand that over the last 20 years or so, the United States has imported some 11 million high school drop-outs from foreign countries, and that an addition of 11 million high school drop-outs from abroad basically has the same sort of fiscal, social, and economic effect that you would have if you added 11 million high school drop-outs born, say, in Kentucky. There's no difference.

And if we want to argue that this is, in fact, been a good thing, I often sort of jokingly say, "Well, if this is such a good thing, why

don't we encourage native-born Americans to drop out of high school and then we'll have all of these positive fiscal effects?"

The simple reality is that the addition of 11 million high school drop-outs has an enormous effect in increasing poverty in the United States and increasing Government spending, and this is not offset by taxes because these people earn so little that they pay relatively little in Federal, State, and local taxes.

Specifically, the Senate-passed bill S–2611 would grant amnesty and citizenship to some 10 million illegal aliens, 50 to 60 percent of whom lack a high school degree.

We expect that a full quarter of those 10 million amnesties that are given, would be fraudulent, just as they were 20 years ago with the Simpson-Mazzoli bill.

The net fiscal cost of this, once you grant citizenship, they become eligible for a much wider array of Government services and benefits, and the net fiscal impact of that would be a cost of around $20 billion a year from the amnesty alone.

In addition, now, those don't show up right away, because they don't become citizens until about 11 years after the passage of the bill, but the long-term costs are what is really important. They're very quite substantial.

In addition, once these illegals are given amnesty and they become citizens, they have the right to bring their parents in from abroad, and the parents, after a period of time, also become eligible for Federal welfare benefits.

So potentially, if you give amnesty to 10 million people, that's potentially 20 million poor grandparents that could be brought in, most of whom could be eligible for Medicaid.

Medicaid for the elderly costs about $10,000 per person per year, so if even three million out of those 20 million potentially eligible parents came here, got onto Medicaid, you'd be talking about costs in the out years of perhaps $30 billion a year.

In addition, the bill has a now trimmed down, but still fairly substantial, guest worker program, which would bring in more low skill workers and their dependents, possibly about eight million of those over 20 years, and the cost of those individuals, based on assuming that they would pay the same in taxes and receive the same in benefits as native-born individuals with the same education and skill levels, cost is about $20 billion a year.

Now, if I could just in general talk about the overall effects of immigration, I have a chart up here that shows that currently in the United States, immigrants and their children comprise about one out of four poor people in the U.S.

And the reason for that is that of these immigrant households, close to one-third of them are headed by individuals that do not have a high school degree, and this is a recipe, as among the native-born, for poverty.

And you can compare this to the native-born households. We're only about 11 percent of them are headed by people that don't have a high school degree.

In the past, immigrants coming into the United States actually had education and skill levels better than the native-born population, but we've very much abandoned that trend in the last two decades or so.

So if we could go forward here. Now we're looking at poor children.

Again, of all of the poor children in the United States, about a quarter of them are children in immigrant families, and we have the same thing here among these immigrant children, close to 40 percent of them reside in homes where the immigrant parent does not have a high school degree.

Now, if we could just move forward here kind of quickly, a very important study of this; in fact, the most thorough study of the cost of immigration was done by the National Academy of Sciences. And what they found was that over the lifetime, the net fiscal cost of an immigrant without a high school degree, this would be their Government benefits minus all taxes paid in over the course of a lifetime, each of those immigrants costs the U.S. taxpayer around $89,000.

And this is an underestimate, because it does not include the costs of educating their children, which would also be totally paid for under this analysis, by the U.S. taxpayer. If you put in the cost of educating the children, it's roughly double that.

So let's see what the implications of that would be, that if we have a cost of $89,000 per high school drop-out immigrant, and we have close to 11 million of these immigrants which we've brought into the country over the last 20 years, the total cost of this over the lifetime of these immigrants is going to be close to $1 trillion.

If you add in the costs of educating their children, it will be closer to $2 trillion; all of this cost borne directly by the hard-pressed American taxpayers.

The simple fact of the matter is that these individuals absorb Government services, they receive welfare and other benefits, and they pay very little in taxes, because that's the nature of our system.

We have a very generous system to support low-skill, native-born, Americans because we're a generous society. What we're really confronting here is whether we can afford that similar level of generosity for large numbers of millions and millions of people coming here from the Third World. And the simple answer is, "No, of course we cannot."

This is a recipe for fiscal disaster, and in fact, these costs, if S–2611 were passed, the costs will begin to pile in at precisely the point at which the Social Security system starts to significantly get into financial trouble.

Now, if I could just briefly focus a little bit on some specific costs to show how these costs accumulate and why some estimates of the costs of immigration, low-skill immigration, are very low.

The total cost of means-tested welfare spending in the United States, Federal and State; this would be Medicaid, food stamps, public housing, EITC, et cetera, is $583 billion last year.

Now, if we just perform a simple calculation, the whole population of the United States is around 300 million people, so let's divide the $583 by roughly 300 million people, and we get a total per capita welfare cost in the United States of around $2,000 per person.

Now, that's an arbitrary number, because it includes everyone in this room and most people don't get this welfare spending, which is targeted on the poor and the near-poor.

But it's a good benchmark to try to estimate what, in fact, the cost would be of giving citizenship or bringing in large numbers of low-skill immigrants who are going to have significantly higher per capita welfare costs.

Now, this takes that same number, but here we've divided it out based on the education level of the head of the household, be it an immigrant or a non-immigrant household.

And if we look at high school drop-outs, and bear in mind that half of the illegals are high school drop-outs, a third of all immigrants are high school drop-outs, the per capita cost here is around $4,400 per family member per year within those households.

And if we were to move forward here, again, now if we look at the education distribution of current illegals in the United States and apply these normal welfare costs which accrue according to educational levels, we would find that once the illegal immigrants are given amnesty and they achieve full citizenship, which they would under S–2611, the total cost per family member, not per immigrant, but the total cost per family member, would be around $3,000 per year, so around $12,000 for a family of four.

Now, the CBO estimates are coming in at almost one-tenth that, at around $400 per year. They're just way, way lower than the actual fiscal outlays under the welfare system. In fact, at $400 per year, that's a welfare per capita cost that's less than that of college educated Americans.

And part of the reason for this is that CBO is forced to limit its analysis to the first 10 years of the bill, when most of the illegal immigrants who would get amnesty wouldn't qualify for a lot of these benefits.

But these benefits begin to come piling in in the later years of the bill.

So the reality is that the actual cost of low-skill immigrants are much larger than anyone anticipates.

The National Academy of Sciences is very clear that immigration and the fiscal and economic impacts of immigration depend completely on the skill level of the immigrants that you're bringing in.

If you bring in immigrants with a college education, they will pay substantially more in taxes than they will take out in Government services.

However, in the last 20 years or 30 years, we have gone in exactly the opposite direction and focused on bringing in very low-skill immigrants. They pay very little in taxes, and will absorb large amounts of Government services.

The Senate Immigration bill sort of solidifies that process by granting citizenship to most of the illegals that are currently here, and then creating a process where even more low-skill immigrants would be brought in in the future.

I would say that if you looked across the globe, you would find probably a billion people who would love to come and live in the United States and live in our society, and we can't obviously let all of those people in.

What that does mean, is that we can be very selective in terms of the people that we do and do not admit into the United States.

And I would say given the enormous pressures already on the taxpayers of the U.S., given the enormous deficits that we see in the future of Government spending, we should have a very clear policy that those people which we select, the small number that are given the opportunity to come to the United States, should be people that are a net benefit to the U.S. taxpayer, rather than those that will impose a net cost on the taxpayer.

Unfortunately, our current immigration system is working in the opposite direction, and the Senate bill will make it much worse.

Thank you.

[The prepared statement of Mr. Rector follows:]

Introduction

My name is Robert Rector. I am Senior Research Fellow in Welfare and Family Issues at The Heritage Foundation. The views I express in this testimony are my own, and should not be construed as representing any official position of The Heritage Foundation.

This paper focuses on the net fiscal effects of immigration with particular emphasis on the fiscal effects of low skill immigration. The fiscal impact of immigrants varies strongly according to the immigrants' education level. College-educated immigrants are likely to be strong fiscal contributors with taxes exceeding government costs. By contrast, immigrants with low education levels, in most cases, will act as a fiscal drain on other taxpayers. The National Academy of Sciences has estimated that each immigrant who has not completed high school will impose a net cost on the U.S. taxpayers nearly $100,000 over his lifetime. This is important because half of adult illegal immigrants in the U.S., and a quarter of legal immigrants, have less than a high school education. In addition, recent immigrant groups have high levels of out-of-wedlock childbearing which increase welfare costs and poverty.

Recently the Senate passed The Comprehensive Immigration Reform Act (CIRA) (S.2611). This bill will provide amnesty, and put 9 to 10 million illegal immigrants on a path to citizenship. Once these individuals become citizens, the net cost to the federal government through added benefits will be around $16 billion per year. Further, once an illegal immigrant is granted amnesty, he is given the right to bring his spouse and children into the U.S.; these, in turn, would be given the right to become U.S. citizens. These individuals would increase governmental costs even further.

Finally, once an illegal immigrant becomes a citizen, he has the automatic right to bring his parents to live in the U.S. The parents, in turn, may become citizens. After five years in the country most of the parents will be eligible for Medicaid. Medicaid payments for the elderly cost around $11,000 per person per year. The long-term cost of government benefits to the parents of 10 million recipients of amnesty could be $30 billion per year or higher.

In the long run, the Comprehensive Immigration Reform Act (CIRA) (S.2611), if enacted, would prove the largest expansion of government welfare in 35 years. The overall governmental costs of the amnesty provisions alone of CIRA are likely to reach $50 billion per year.

In addition to providing amnesty to 10 million individuals, the Comprehensive Immigration Reform Act (CIRA) would more than double the future rate of legal immigration. Under the act, over 60 million immigrants would enter the country legally or be granted legal status over the next twenty years. All of these new entrants would be eligible to become permanent residents and would have the right to become citizens. Much of this massive flow of new immigrants would be low-skilled, imposing large net costs on U.S. taxpayers.

Current Trends in Immigration

In the last forty years, immigration in the United States has surged. Our nation is now experiencing a second "great migration" similar to the great waves of immigrants which transformed America in the late 19th and early 20th centuries. In 2004, an estimated 35.7 million foreign born persons lived in the U.S. While in 1970 one person in twenty was foreign born, by 2004 the number had risen to one in eight.

About one third of all foreign born persons in the U.S. are illegal aliens. There are between 10 and 12 million illegal immigrants currently living in the U.S. Illegal aliens now comprise 3 to 4 percent of the total U.S. population. Each year approximately 1.3 million new immigrants enter the U.S. Some 700,000 of these entrants are illegal immigrants.[1]

One third of all foreign born persons in the U.S. are Mexican. Overall the number of Mexicans in the U.S. has increased from 760,000 in 1970 to 10.6 million in 2004. Nine percent of all Mexicans now reside in the U.S. Over half of all Mexicans in the U.S. are illegal,[2] and in the last decade 80 to 85 percent of the inflow of Mexicans into the U.S. has been illegal.[3] Mexican women emigrating to the U.S. have a considerably higher fertility rate than women remaining in Mexico.[4]

The public generally perceives illegal immigrants to be unattached single men. This is, in fact, not the case. Some 44 percent of adult illegals are women. While illegal men work slightly more than native born men; illegal women work less. Among female illegal immigrants some 56 percent work compared to 73 percent among native-born women of a comparable age.[5]

Immigrants & Education: A Profile

On average, immigrants have low education levels relative to native born U.S. citizens. One quarter of legal adult immigrants lack a high school degree compared to 9 percent among the native born; however, there is a well educated sub-group within the legal immigrant population as well. Some 32 percent of legal immigrant adults have a college degree, compared to 30 percent of native born adults.[6]

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[1] Jeffrey Passel *Unauthorized Migrants: Numbers and Characteristics,* Pew Hispanic Center, Washington, D.C, June 14, 2005, p.6.
[2] All figures are from Passel, *op. cit.*
[3] Passel, *op. cit.* p. 16.
[4] Ibid., p. 38. Passel asserts this is due to the socio-economic characteristics and region of origin of the emigrant women.
[5] Ibid., pp. 18 and 25.
[6] Ibid.

The education levels of illegal aliens are lower than those of legal immigrants. Half of all illegal immigrant adults lack a high school degree.[7] Among Latin American and Mexican immigrants, 60 percent lack a high school degree and only 7 percent had a college diploma. By contrast, among native-born workers in the U.S., only 6 percent have failed to complete high school and nearly a third have a college degree.[8]

Decline in Immigrant Wages

Over the last 40 years the education level of new immigrants has fallen relative to the native population. As the relative education levels of immigrants have declined, so has their earning capacity compared to the general U.S. population. Immigrants arriving in the U.S. around 1960 had wages, at the time of entry, that were just 13 percent less than natives. In 1965, the nation's immigration law was dramatically changed, and from 1990 on illegal immigration surged; the overall result was a decline in the relative skill levels of new immigrants. By 1998, new immigrants had an average entry wage that was 34 percent less than natives.[9] Because of their lower education levels, the relative wages for illegals would have been even lower.

The low wage status of recent illegal immigrants can be illustrated by the wages of recent immigrants from Mexico, a majority of whom are illegal. In 2000, the median weekly wage of a first generation Mexican immigrant was $323. This was 54 percent of the corresponding wage for non-Hispanic whites in the general population.[10]

Historically, the relative wages of recent immigrants have risen after entry as the immigrant gained experience in the labor market. For example, immigrants who arrived in the U.S. in the 1960s and 1970s saw their relative wages rise by 10 percentage points compared to native wages during their first 20 years in the country. But, in recent years this modest catch up effect has diminished. Immigrants who arrived in the late 1980s actually saw their relative wages shrink in the 1990s.[11]

Immigration and Welfare Dependence

Welfare may be defined as means-tested aid programs: these programs provide cash, non-cash and social service assistance that is limited to low income households. Examples of major means-tested programs are: Food Stamps, Temporary Assistance to Needy Families, public housing, the earned income credit, and Medicaid. Historically, recent immigrants were less likely to receive welfare than were native born Americans;

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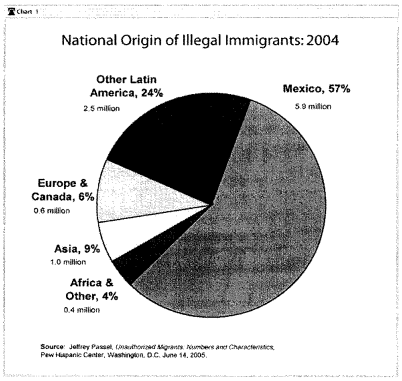
[7] Ibid., p. 23. By contrast, the Center for Immigration Studies estimates that two thirds of illegal immigrants lack a high school degree. Steven A. Camarota, *The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget,* Center for Immigration Studies, Washington D.C., August 2004, p.5.
[8] Robert J. Samuelson " We Don't Need 'Guest Workers'", *Washington Post,* march 22, 2006, p. A21.
[9] George J. Borjas, *Heavens Door: Immigration Policy and the American Economy,* Princeton University Press, United States, 1999, p.28.
[10] Richard Fry and B. Lindsay Lowell, *Work or Study: Different Fortunes of U.S. Latino Generations,* Pew Hispanic Center, Washington, D.C., May 28, 2002, tables B1 and B2. The figures in the text refer to individuals aged 25 to 44.
[11] Borjas, *op.cit.,* p. 30.

however, over the last thirty years this historic pattern has been reversed. As the relative education level of immigrants fell, their tendency to receive welfare benefits increased. By the late 1990s immigrant households were fifty percent more likely to receive means-tested aid than were native born households.[12] Moreover, immigrants appear to assimilate into welfare use. The longer immigrants live in the U.S. the more likely they are to use welfare.[13]

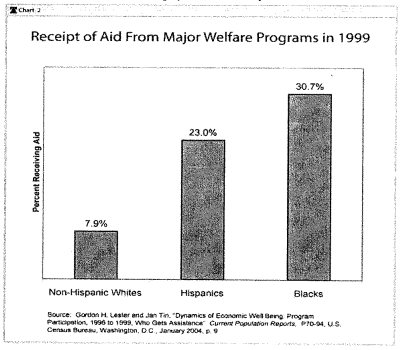
A large part, but not all, of the higher welfare use of immigrants is explained by their low education levels. Welfare use also varies depending on the national origin of the immigrant. For example, in the late 1990s, 5.6 percent of immigrants from India received means-tested benefits; among Mexican immigrants the figure was 34.1 percent, and for immigrants form the Dominican Republic the figure was 54.9 percent.[14] Ethnic differences in the propensity to receive welfare that appear among first generation immigrants persist strongly in the second generation.[15] The relatively high use of welfare among Mexicans has significant implications for current proposals to grant amnesty to illegal immigrants.



[12] Ibid., p. 109.
[13] Ibid., pp. 105, 106. Borjas examined a cohort of immigrants aged 18 to 34 who arrived in the U.S. in 1965 to 1969; over the next three decades, cash welfare use for this cohort of immigrants rose sharply; welfare use among a similar native cohort rose as well but not as steeply.
[14] Ibid., p. 110.
[15] A 10 percentage point difference in receipt of welfare in the first generation leads to an 8.2 percentage point difference between groups in the second generation. Borjas,. *op. cit.* 143

Some 80 percent of illegal immigrants come from Mexico and Latin America.[16] (See Chart 1.) Historically, Hispanics in America have very high levels of welfare use. Chart 2 shows receipt of aid from major welfare programs by different ethnic groups in 1999; the programs covered included Medicaid, Food Stamps, public housing, Temporary Assistance to Needy Families, General Assistance and Supplemental Security Income.[17] As the table shows, Hispanics in the U.S. were almost three times more likely to receive welfare than are non-Hispanic whites. In addition, among families that received aid, the cost of the aid received was 40 percent higher for Hispanics than for non-Hispanic whites.[18] Putting together the greater probability of receiving welfare with the greater cost of welfare per family meant that, on average, Hispanic families received four times more welfare per family than did white non-Hispanics.

Part, but not all, of this high level of welfare use of Hispanics can be explained by background factors such as family structure.[19] It seems likely that, if Hispanic illegals are given permanent residence and citizenship, they and their children will assimilate into the culture of high welfare use that characterizes Hispanics in the U.S. This would impose significant costs on the taxpayer and society as a whole.

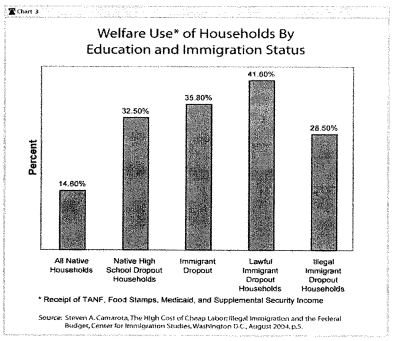


[16] Passel, *op. cit.* p. 4.
[17] Gordon H. Lester and Jan Tin, "Dynamics of Economic Well Being: Program Participation, 1996 to 1999, Who Gets Assistance" *Current Population Reports,* P70-94, U.S. Census Bureau, Washington, D.C., January 2004, p.9.
[18] Ibid., p. 27.
[19] Robert A. Moffit and Peter T. Gottschalk, "Ethnic and Racial Differences in Welfare Receipt in the United States," in Neil Smelser, William Julius Wilson and Faith Mitchell, eds., *America Becoming: Racial Trends and Their Consequences, Volume II,* National Academies Press, Washington, D.C. 2001, pp. 156-158.

Welfare use can also be measured by immigration status. In general immigrant households are about fifty percent more likely to use welfare than are native born households.[20] Immigrants with less education are obviously more likely to use welfare.

The potential welfare costs of low skill immigration and amnesty for current illegal immigrants can be assessed by looking at the welfare utilization rates for current immigrants with low education levels. As Chart 3 shows, immigrants without a high school degree (both lawful and unlawful) are two and a half times more likely to use welfare than is the general native born population.[21] This underscores the high potential welfare costs that may be associated with proposed amnesties to illegal immigrants.

All categories of high school dropouts have a high utilization of welfare. Immigrants who have less than a high school degree are slightly more likely to use welfare than are native born dropouts. Lawful immigrants who are high school dropouts are slightly more likely to use welfare than are native born dropouts.[22] Illegal immigrant dropouts are less likely to use welfare than native born dropouts, in part, because they are ineligible for most programs. However, if amnesty is granted to illegals, it seems reasonable to conclude that their welfare use will be similar to lawful immigrants with similar education.



[20] Steven A. Camarota, "Back Where We Started: An Examination of Trends in Immigrant Welfare Use Since Welfare Reform", Center for Immigration Studies, March 2003. Welfare use in this study is defined as receipt of Temporary Assistance to Needy Families, Food Stamps, Supplemental Security Income or Medicaid.
[21] Ibid.
[22] Ibid.

Immigration and Poverty

For decades, the U.S. has imported poverty from aboard through immigration policies that permitted and encouraged the entry and residence of millions of low skill immigrants into the U.S. These low skill immigrants have children who, in turn, add to America's poverty problem and increase governmental welfare, social service and education costs.

The current cascade of poorly educated immigrants into the U.S. is the result of two factors. First, a legal immigration system that favors kinship ties over skills and education. Second, a permissive attitude toward illegal immigration yielding lax border enforcement and complete non-enforcement of existing laws prohibiting the employment of illegals. In conjunction these factors have produced an influx in recent years of some ten million immigrants who lack a high school. In terms of increased poverty and expanded government expenditure, this influx of immigrant drop-outs has roughly the same effect one would expect from the addition of ten million native born drop-outs.

As a result of the dramatic inflow of low skill immigrants,

- One third of all immigrants live in families headed by high school drop outs.

- Immigrants and their families now comprise about one sixth of the U.S. population but one fourth of all poor persons in the U.S.

Immigration also plays a large role in poverty among children in the U.S.

- Some 38 percent of immigrant children live in families headed by a high school drop out.
- Minor children of immigrants are now 26 percent of all poor children in the U.S.
- One out of six of poor children in the U.S. are the offspring of immigrant parents who lack a high school degree.

Poverty is especially prevalent among Hispanic immigrants (legal and illegal). Hispanic immigrants have particularly low levels of education; more than half live in families headed by high school drop-outs. Hispanics immigrants also have weak family structure: 42 percent of the children of Hispanic immigrants are born out-of-wedlock.

- Hispanic immigrants and their families are now nine percent of the U.S. population but are 17 percent of all poor persons in the U.S.
- Children in Hispanic immigrant families (both legal and illegal) now comprise 11.7 percent of all children in the U.S. but are 22 percent of all poor children in the nation.

Low skill immigrants pay little and taxes and receive high levels of government benefits and services. The National Academy of Sciences estimate that each immigrant without a high school degree will cost the U.S. taxpayers, on average, $89,000 over the course of

his life-time.[23] This a net cost above the value of any taxes the immigrant will pay; moreover, the figure does not include the cost of educating the immigrant's children which would also be heavily subsidized by the U.S. taxpayers.

This means that the roughly six million legal immigrants without a high school degree will impose a net (or post tax) cost of around a half trillion dollars on the U.S. taxpayers over their lifetime. The cost of the roughly five million illegal immigrants without a high school degree would be somewhat less because they are eligible for fewer government benefits; however, the if these illegal immigrants were granted amnesty and citizenship as proposed by the Bush administration and the Senate-passed immigration bill (S.2611) an additional half trillion in net government costs could be added. The total lifetime, net cost to the taxpayers for all high school dropout immigrants would equal nearly one trillion dollars.

The poverty and other problems associated with mass low skill immigration would be of less concern if these problems could be expected to quickly vanish in the next generation. Unfortunately, the evidence indicates the opposite. For example, the low levels of immigration, high levels of poverty, and high levels of out-of-wedlock childbearing found among Hispanic immigrants, to a considerable degree, persist among native-born Hispanics in the U.S.

These data indicate that the current rapid influx of low skill immigrants will raise poverty in the U.S., not merely at the present time, but for generations to come. Current low skill immigrants will raise both the absolute number of poor persons and the poverty rate in the U.S. for the foreseeable future. The greater the inflow of low skill immigrants the greater the long-term increase in poverty will be.

Illegal Immigration and Poverty

According to the Pew Hispanic Center there are 4.7 million children with illegal immigrant parents currently living in the U.S.[24] Some 37 percent of these children are poor.[25] While children of illegal immigrant parents comprise around 6 percent of all children in the U.S., they are 11.8 percent of all poor children.

Immigration and Family Structure

The high level of child poverty among illegals in the U.S. is, in part, due to low education levels and low wages. It is also linked to the decline in marriage among Hispanics in the

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[23] National Research Council, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration,* National Academy Press, Washington, D.C. 1997, p. 334. The $85,000 figure refers to the net present value of net government outlays with respect to the immigrant. See also, Robert Rector, "Amnesty and Low Skill Immigration Will Substantially Raise Welfare Costs and Poverty" *The Heritage Foundation Backgrounder No 1936,* , The Heritage Foundation, Washington, D.C., May 16 2006

[24] Passel, *op.cit.* p. 20.
[25] Interview with Jeff Passel

U.S. As noted, some 80 percent of illegal aliens come from Mexico and Latin America.[26] Among Hispanics in the U.S., 45 percent of children are born out-of-wedlock.[27] (See Table 1.) Among foreign born Hispanics the rate is 42.3 percent.[28] By contrast, the out-of-wedlock birth rate among non-Hispanic whites is 23.4 percent.[29] The teen birth rate for Hispanics is higher than the rate for black teens.[30] While the out-of-wedlock birth rate for blacks has remained flat for the last decade, it has continued to rise steadily for Hispanics.[31]

In general, children born and raised outside marriage are seven times more likely to live in poverty than are children born and raised by married couples. Children born out-of-wedlock are also more likely to be on welfare, to have lower educational achievement, to have emotional problems, to abuse drugs and alcohol and to become involved in crime.[32]

Economic and Social Assimilation of Illegal Immigrant Offspring

One important question is the future economic status of the children and grandchildren of current illegal immigrants, assuming those offspring remain in the U.S. While we obviously do not have data on future economic status, we may obtain a strong indication of future outcomes by examining the educational attainment of offspring of recent Mexican immigrants. Some 57 percent of current illegal immigrants come from Mexico, and about half of Mexicans currently in the U.S. are here illegally.[33]

First generation Mexican immigrants are individuals born in Mexico who have entered the U.S. In the year 2000, some 70 percent of first generation Mexican immigrants (both legal and illegal) lacked a high school degree. Second generation Mexicans may be defined as individuals born in the U.S. who have at least one parent born in Mexico. Second generation Mexican immigrants have greatly improved educational outcomes but still fall well short of the general U.S. population. Some 25 percent of second generation Mexicans in the U.S. fail to complete high school. By contrast, the high school drop out rate among non-Hispanic whites in the general population is 8.6 percent, and among blacks is 17.2 percent. Critically, the educational attainment of third generation Mexicans (those of Mexican ancestry with both parents born in the U.S.) improves little relative to the second generation. Some 21 percent of third generation Mexicans are high

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[26] Passel, *op. cit.* p. 4.
[27] Joyce A. Martin, *Births: Final Data for 2003, National Vital Statistics Reports,* Volume 54, Number 2, National Center for Health Statistics, U.S. Department of Health and Human Services, September 8, 2005, p. 49.
[28] Ibid.
[29] Martin, *op.cit.*, p. 49.
[30] Ibid., p. 54, 55.
[31] Center for National Health Statistics, Department of Health and Human Services, *Vital Statistics of the United States, 2001, Volume One, Natality,* table 1-17.
http://www.cdc.gov/nchs/datawh/statab/unpubd/natality/natab99.htm Among Hispanics 40.8 percent of births were out of wedlock in 1993 compared to 45 percent in 2003. Among blacks, 68.9 percent of births were out of wedlock in 1993 compared to 68.5 percent in 2003.
[32] Patrick Fagan, Robert Rector, Kirk Johnson, America Peterson, *The Positive Effects of Marriage: A book of Charts,* The Heritage Foundation, Washington, DC, April 2002.
[33] Passel, *op. cit.*, pp. 4 and 36.

school drop outs.[34] Similarly, the rate of college attendance of second generation Mexicans is lower than the rate for black Americans and about two thirds of the level for non-Hispanic whites; moreover, it and does not improve in the third generation.[35]

These data indicate that, for several generations, the offspring of illegal Hispanic immigrants are likely to have lower rates of educational attainment and higher rates of school failure when compared to the general non-Hispanic U.S. population. High rates of school failure coupled with high rates of out-of-wedlock child-bearing are strong predictors of disproportionate future levels of poverty and welfare dependence.

Immigration and Crime

Historically, immigrants have had lower crime rates than the native born. For example, in 1991, the overall crime and incarceration rate for non-citizens was slightly lower than for citizens. Strikingly, imprisonment for violent crime was half as likely for non-citizens as for citizens.[36]

On the other hand, the crime rate for Hispanics in the U.S. population is high. The age specific incarceration rates in federal and state prisons (prisoners per 100,000 residents in the same age group in the general population) are two to two and a half times higher for Hispanics than for non-Hispanic whites.[37] Relatively little of the higher imprisonment rate of Hispanics seems to be due to immigration violations.[38]

Illegal immigrants are overwhelmingly Hispanic. It is possible that, over time, Hispanic immigrants and their children may assimilate the high crime rates that characterize the low income Hispanic population in the U.S. as a whole.[39] If this were to occur, then

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[34] The category of third generation Mexicans includes all individuals of Mexican ancestry who have parents born in the U.S., thus this group would also include the fourth, fifth, and further generations.

[35] All figures are taken from Richard Fry and B. Lindsay Lowell, *op. cit.* All figures in the text refer to individuals aged 20 to 24. The inter-group differences for individuals aged 25 to 44 are very similar to those of individuals aged 20 to 44. The attainments for Mexicans in the U.S. are similar to those of Hispanics in the U.S. in general.

[36] Nation Research Council, *The New Americans: Economic, Demographic and Fiscal Effects of Immigration,* Nation Academy Press, Washington, D.C. 1997, p. 388. Figures refer to males aged 18 to 54.

[37] Paige M. Harrison, and Allen J. Beck, "Prisoners in 2003" *Bureau of Justice Statistics Special Report*, NCJ 205335, Office of Justice Programs, U.S. Department of Justice, Washington, D.C. November 2004, table 12. See also Thomas P. Bonczar, "The Prevalence of Imprisonment in the U.S. Population, 1974-2001", *Bureau of Justice Statistics Special Report,* NCJ197976, August 2003.

[38] The immigration and Naturalization Service deport hundreds of thousands of illegal immigrants each year. Few of these deportations involve imprisonment in federal or state prisons.] In 2000, some 15,000 individuals were in federal prisons due to immigration violations. Most of these were Hispanic; these individuals comprised about 8 percent of the total Hispanic population in federal and state prisons. The most common violation leading to imprisonment was re-entry following prior deportation. Half of those imprisoned for immigration offenses had prior felony convictions. See John Scalia, and Marika F.X. Litras, "Immigration Offenders in the Federal Criminal Justice System, 2000", *Bureau of Justice Statistics Special Report,* NCJ-191745, Office of Justice Programs, U.S. Department of Justice, Washington D.C, August 2002.

[39] If the crime rate for Hispanic non-citizens is actually lower than the rate for non-Hispanics in the general population, this would imply that the relative crime rate for Hispanic citizens was even higher than the three to one ration (of Hispanic to non-Hispanic whites) suggests. It would be higher because low crime

policies which would give illegal immigrants permanent residence through amnesty, as well as policies which would permit a continuing influx of hundreds of thousands of illegals each year could increase crime in the long-term.

Taxation and Low Skill Workers

It is often argued that if illegal immigrants were granted amnesty they would make substantial tax contributions to the federal government. The reality is that low skill workers pay little in taxes. The federal income tax is highly progressive; moreover, moderate wage parents receive refundable tax credits that offset much of their Social Security tax payments. For example, a family of four who have lived in the U.S. lawfully for five years will pay no net Social Security taxes if they earn less than $25,000 per year. If the family makes less than $40,000 per year, it will be unlikely to pay federal income tax. At the same time, many of these families will receive government welfare and medical care and their children will be educated in public schools at an average cost of about $8,000 per year.

The Overall Fiscal Impact of Immigration

One important question is the fiscal impact of immigration (both legal and illegal). Policymakers must ensure that the interaction of welfare and immigration policy does not expand the welfare-dependent population, thereby hindering rather than helping immigrants and potentially imposing large costs on American society. This means that immigrants should be net contributors to government: the taxes they pay should exceed the cost of the benefits they receive.

In calculating the fiscal impact of an individual or family, it is necessary to distinguish between public goods and private goods. Public goods do not require additional spending to accommodate new residents.[40] The clearest examples of government public goods are national defense and medical and scientific research. The entry of millions of immigrants will not diminish the value of these public goods to the general population.

Other government services are private goods; use of these by one person precludes or limits use by another. The most obvious government private goods are direct personal benefits such as welfare, Social Security payments, Medicare, and education. Other government private goods are "congestible" goods.[41] These are services that must be expanded in proportion to the population. Examples of government congestible goods are: police and fire protection, roads and sewers, parks, libraries, and courts. These services must expand as the population expands or there will be a decrease in the quality of service.

Hispanic non-citizens would be included in the denominator used in computing the overall Hispanic crime rate.

[40] Nation Research Council, *op. cit.*, p. 256.

[41] Ibid.

An individual makes a positive fiscal contribution when his total taxes paid exceed the direct benefits and congestible goods received by himself and his family.[42]

The Overall Fiscal Impact of Low Skill Immigration

A very important study of the fiscal impact of immigration, mentioned previously, was the 1997 *New Americans* study by the National Academy of Sciences (NAS).[43] This study found that, measured in a single year, the fiscal impact of foreign born households was negative in the two states studied: New Jersey and California.[44] Measured over the course of a lifetime, the fiscal impact of first generation immigrants was also slightly negative[45]; however, when the future earnings and taxes that may be paid by the offspring of the immigrant are counted, the long term fiscal impact was found to be is positive. One commonly cited figure from the report is that the net present value (NPV) of the fiscal impact of the average recent immigrant and his descendents is $83,000.[46]

There are five important caveats concerning the NAS longitudinal study and its conclusion that in the long term the fiscal impact of immigration is positive. First, the study applies to all recent immigration, not illegal immigration. Second, the finding that the long-term fiscal impact of immigration is positive applies to the population of immigrants as a whole, not to low skill immigrants. Third, the estimate that the net present fiscal value of the typical immigrant is $83,000 is based on the assumed earnings and tax payments of his descendents projected ***over the next 300 years***.[47] Fourth, the study does not take into account the growth in out of wedlock child-bearing among the foreign born which will increase future welfare costs and limit the upward mobility of future generations. Fifth, the assumed educational attainment of the children, grandchildren, and great grandchildren of immigrants who are high school drop outs or high school graduates seems unreasonably high given the actual attainments of the offspring of recent Mexican and Hispanic immigrants; low skill Hispanics form the bulk of current illegal immigrants in the U.S.[48]

The three hundred year time horizon of the NAS study is highly problematic. Three hundred years ago, the United States did not even exist, and British colonists had barely reached the Appalachian mountains. We cannot reasonably estimate what taxes and benefits will be even thirty years from now, let alone three hundred.

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[42] This is the basic methodology employed by the National Research Council to assess the fiscal gains and losses presented by immigrants. National Research Council, *op. cit.,* chapters 6 and 7.
[43] Ibid.
[44] Ibid., Chapter Six.
[45] Ibid., p.334, table 7.5
[46] Ibid.
[47] Ibid., p. 342. According to net present value calculations the impact of much later years have much lower value than those of the near future; nonetheless, the extension of the NAS projections to 300 years has a definite affect on their conclusions.
[48] The projected educational attainments of the children, grandchildren, and great grandchildren of immigrants who are high school drop outs or high school graduates are presented on page 357 of the National Academy study. (National Research Council, *op. cit.)* The actual attainments of the descendents of recent Hispanic immigrants are provided in Fry, *op. cit.*

The NAS study assumes that most people's descendents will eventually regress to the social and economic mean and thus may make a positive fiscal contribution, if the time horizon is long enough. Using similar methods it seems likely that out of wedlock childbearing could be found to have a net positive fiscal value as long as assumed future earnings are projected out 500 or 600 years.

Slight variations in the assumptions used by NAS greatly affect the projected outcomes. For example, limiting the time horizon to fifty years and raising the assumed interest rate from 3 percent to 4 percent drops the NPV of the average immigrant from around $80,000 to $8,000.[49] Critically, the NAS projections assumed very large tax increases and benefits cuts would occur in 2016 to prevent the deficit from rising further relative to GDP. This assumption makes it far easier for future generations to be scored as fiscal contributors. If the large tax hikes and benefit cuts do not occur then the long-term positive fiscal value of immigration evaporates.[50] Moreover, if future tax hikes and benefit cuts do occur, the exact nature of those changes would likely have a large impact on the findings; this issue is not explored in the NAS study.

Critically, the estimated net fiscal impact of the whole immigrant population has little bearing on the fiscal impact of illegal immigrants who are primarily low skilled. As noted, at least 50 percent of illegal immigrants do not have a high school degree. As the NAS report states "some groups of immigrants bring net fiscal benefits to natives and others impose net fiscal costs… [I]mmigrants with certain characteristics, such as the elderly and those with little education may be quite costly."[51]

The NAS report shows that the long-term fiscal impact of immigrants varies dramatically according to the education level of the immigrant. The fiscal impact of immigrants with some college education is positive. The fiscal impact of immigrants with a high school degree varies according to the time horizon used. The impact of those without a high school degree is negative: benefits received will exceed taxes paid. The net present value of the future fiscal impact of immigrants without a high school degree is negative even when the assumed earnings and taxes of descendents over the next three hundred years are included in the computation.[52]

A final point is that the NAS estimates assume that low skill immigration does not reduce the wage rates of native born low skill workers. If low skill immigration does, in fact, reduce the wages of native born labor this would reduce taxes paid and increase welfare expenditures for that group. The fiscal, social and political implications would be quite large.

The Cost of Amnesty

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[49] National Research Council, *op. cit.,* table 7.6 on p.337 and table 7.8 on p. 343.
[50] Ibid., table 7.6 on p. 337.
[51] Ibid. pp. 352 and 353.
[52] Ibid., table 7.5, p. 324 and figure 7.10 on p. 332.

Federal and state governments currently spend over $583 billion per year on means-tested welfare benefits each year.[53] Illegal aliens are ineligible for most federal welfare, but some assistance is received through programs such as Medicaid; in addition, native born children of illegal immigrant parents are citizens and are eligible for all relevant federal welfare.

Granting amnesty to illegal aliens would have two opposing fiscal effects. On the one hand, it may raise wages and taxes paid by broadening the labor market individuals compete in; it would also increase tax compliance and tax receipts as more work would be performed "on the books".[54] On the other hand, amnesty would greatly increase receipt of welfare and social services. Since illegal immigrant households are low skill and low wage, the cost to government could be considerable.

A very thorough study of the federal fiscal impacts of amnesty has been performed by the Center for Immigration Studies (CIS).[55] This study found that illegal immigrant households have low education levels, low wages and currently pay little in taxes. Illegal households also receive a lower level of federal government benefits. The study found that, on average, illegal immigrant families received more in federal benefits than they paid in taxes.[56]

Granting amnesty would render illegals eligible for federal benefit programs. The CIS study estimated the extra taxes would be paid as well as government costs that would occur as a result of amnesty by assuming that welfare utilization as well as tax payment among current illegal immigrants would rise to equal the level among lawful non-citizens of similar national, educational, and demographic backgrounds. If all illegal immigrants were granted amnesty, federal tax payments would increase by some $3,000 per household, but federal benefits and social services would increase $8,000. Total federal welfare benefits would reach around $9,500 per household or $35 billion per year total. The study estimates that the net cost to the federal government of granting amnesty to

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[53] Domestic Social Policy Division, Cash and Non-Cash Benefits for Persons with Limited Income: Eligibility Rates, Recipient and Expenditure Data, FY2002, FY2004, Congressional Research Service, March 27, 2006. The total cost of federal and state means-tested welfare benefits spread across all U.S. household is about $5,800 per household. In practice welfare benefits are largely limited to households in the bottom one half of the income distribution and are rarely received by households above the median income level of $44,000 per year. If all benefits were spread equally among the lowest income half of households, the value would be about $12,000 per household.

[54] Steven A. Camarota, *The High Cost of Cheap Labor: Illegal Immigration and the Federal Budget,* Center for Immigration Studies, Washington D.C., August 2004. This study estimates that 45 percent of illegal immigrant wages are "off the books".

[55] Ibid. The estimated number and characteristics of the illegal population in this study are very similar to the estimates in most other research. An important element of this study is that, like the National Research Council study, it adjusts for under-reporting of welfare benefits in the Census Bureau's Current Population Survey. The cost of welfare benefits is adjusted to equal actual government expenditures. The study allocates government private goods and public goods in a manner very similar to the National Academy of Sciences study.

[56] Thus the cost of amnesty is mitigated, somewhat, by the fact that illegals already receive some welfare and social services. This fact, however, only underscores the overall fiscal cost of illegal immigration to society.

some 3.8 million illegal alien households would be around $5,000 per household for a total federal fiscal loss of $19 billion per year.[57]

Amnesty and the Comprehensive Immigration Reform Act (CIRA)

The Senate immigration bill would offer amnesty and citizenship to current illegal aliens. This plan would offer amnesty and citizenship to around 85 percent of the nation's current 11.9 million illegal immigrants. Under the plan, illegal aliens who had been in the U.S. five years or more (60 percent of total illegals) would be granted immediate amnesty. Illegal immigrants who had been in the country between two and five years (25 percent of the total) would travel to one of 16 "ports of entry" where they would receive lawful work permits; these permits would bestow permanent residence and allow the bearers to become citizens. Thus the plan overall is likely to grant citizenship to 85 percent of the current illegal alien population or some 9 to 10 million individuals.

As noted, illegal aliens in the U.S. have very low education levels: at least half lack a high school education, a third have less than a ninth grade education. Illegal immigrants earn low wages similar to the wages of other low skill workers in the economy. This means they are prone to poverty and welfare dependence.

Illegal aliens are currently ineligible for most federal welfare benefits. Granting citizenship would provide eligibility to welfare programs such as the Earned Income Credit, Food Stamps, Medicaid, Temporary Assistance to Needy Families, and many others. This would greatly increase welfare costs. The added welfare costs can be estimated by assessing welfare utilization among current illegal immigrants compared to welfare utilization among lawful immigrants of similar national and educational backgrounds. This comparison shows that granting citizenship to 85 percent of current illegal immigrants would increase net federal fiscal costs by some $16 billion per year.[58]

It is important to note that these costs would not occur immediately. The Comprehensive Immigration Reform Act (CIRA) plan places a prospective six year waiting period prior to granting legal permanent residence to illegal immigrants. Individuals would wait another five years after receiving permanent residence before becoming citizens. Thus much of the cost of the plan might be delayed; however, once millions of individuals are put on the path to citizenship there would be enormous (and probably irresistible) political pressure to grant them the same benefits that are available to the general population quickly, rather than enforce a long delay.

In addition, the cost estimates presented above are based on a static analysis which assumes that amnesty will not alter behavior. In reality, illegal immigrants are likely to

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[57] The average cost of federal means-tested welfare spending amounts to around $4,000 per household if spread evenly among all U.S. households (including upper and middle income households that, in fact, receive little welfare). The Camarota 2004 study assumes that, after amnesty, illegal households would on average receive some $9,400 in federal welfare spending, or about 1.3 times more than the artificial average for all households. This seems reasonable given the characteristics of the illegal population.
[58] Calculation based on Steven A. Camarota, 2004, *op. cit.*

have significantly more children once they are permanently settled in the U.S. These children will increase welfare costs and child poverty even further.

Family Chain Migration

The impact and cost of the Comprehensive Immigration Reform Act (CIRA) (S.2611) would extend well beyond the ten million or so individuals initially granted amnesty. When an individual is granted amnesty, he is given the unrestricted right to bring his spouse and minor children into the country. Once here, the spouses and children would receive government services and swell government costs, and in turn have the right to become citizens. Thus the total number of foreign born persons who would be granted citizenship ultimately under CIRA would be far more than 10 million, and government costs would swell above the $16 billion figure given above.

But the fiscal problem gets worse; when an illegal immigrant has obtained citizenship through the amnesty process, he or she would be given the automatic right to bring his or her parents in the U.S. as permanent lawful residents. (Currently one tenth of the annual flow of legal immigrants to the U.S. are parents of recent immigrants who have naturalized.) If ten million current illegal immigrants were granted amnesty and citizenship under the Comprehensive Immigration Reform Act (CIRA) (S.2611), as many as 20 million foreign born parents would be given the right to immigrate to the U.S. Once in the U.S., the immigrant parents would receive social services and government funded medical care, much of it paid for through the Medicaid disproportionate share program.

After five years in the country most of the parents will be fully eligible for Medicaid. Medicaid payments for the elderly cost around $11,000 per person per year. If, as a result of CIRA, only three million parents were brought into the country and enrolled in Medicaid, the annual cost would be around $33 billion. Obviously, there would be substantial time lags before these costs began, but the long-term potential of amnesty to raise government spending is quite real.

How CBO Dramatically Underestimates the Welfare Costs of CIRA

Advocates for the Senate immigration bill cite a Congressional Budget Office report that shows that the means-tested welfare costs generated by the bill would be quite low. Means-tested programs provide government benefit only to lower income persons. The largest means-tested programs are Medicaid, the Earned Income Tax Credit, food stamps, Temporary Assistance to Need Families (TANF), and public housing. According to the Congressional Research Service, $583 billion was spent on means-tested aid in 2004. Of this $427 billion was from federal funds and $156 billion in state funds.[59]

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[59] Domestic Social Policy Division, Cash and Non-Cash Benefits for Persons with Limited Income: Eligibility Rates, Recipient and Expenditure Data, FY2002, FY2004, Congressional Research Service, March 27, 2006

In 2004, there were some 291 million persons in the U.S. Dividing total means-tested outlays of $583 billion by the whole U.S. population yields an average annual per capita cost of means-tested aid of $2,003. Obviously this average is artificial because most persons do not receive means-tested aid; however, they do provide a reasonable bench mark for estimating the welfare costs associated with amnesty.

Persons with less education are substantially more likely to receive means-tested aid. For example, per capita value of aid received in families headed by persons without a high school degree is $4461. Roughly half of the illegal immigrants who would receive amnesty are high school dropouts.

The Congressional Budget Office analysis assumed that after ten years some 16.1 million immigrants would be granted legal status due to the bill. The total means-tested welfare costs generated by the bill would be $7.6 billion in the tenth year. This yields annual means-tested welfare costs of $472 per immigrant under the bill.

Thus according to CBO, the means-tested welfare costs per legalized immigrant would be dramatically below average per capita welfare costs in the U.S. This is extremely implausible given the fact that the legalized immigrants under the bill would have below average education levels, and thus would almost certainly have higher rates of welfare receipt. In fact, based on the educational attainments of the illegal immigrants who would receive amnesty under S.2611, the long-term welfare costs can be estimated at over $3,100 per person per year.

In part, the CBO estimates are low because they are limited to the first ten years after the passage of S.2611. For the first eleven years after the bill's enactment, immigrants receiving amnesty would not become fully eligible for welfare, thus the full welfare costs are hidden by the bill's limited time horizon. CBO has also subtracted out any welfare benefits that immigrants would receive while remaining illegal. In addition, the CBO methodology appears to undercount welfare expenditures in general; many programs are omitted from the analysis and the value of benefits in other programs seems to be artificially low. Finally, although the details of the analysis have not been revealed, the estimates of future welfare use do not seem to accurately reflect the low educational status of potential amnesty recipients.

Granting Amnesty is Likely to Further Increase Illegal Immigration

It seems like history is about to repeat itself. The Immigration Reform and Control Act (IRCA) of 1986 granted amnesty to 2.7 million illegal aliens. The primary purpose of the act was to decrease the number of illegal immigrants by limiting their inflow and by legalizing the status of illegals already here.[60] In fact, the act did nothing to stem the tide of illegal entry. The number of illegal aliens entering the country increased five fold from around 140,000 per year in the 1980's to 700,000 per year today.

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[60] National Research Council, *op. cit.* p. 29.

Illegal entries increased dramatically shortly after IRCA went into effect. It seems plausible that the prospect of future amnesty and citizenship served as a magnet to draw even more illegals into the country. After all, if the nation granted amnesty once why wouldn't it do so again?

The Comprehensive Immigration Reform Act (CIRA) legislation would repeat the IRCA on a much larger scale. This time 9 to 10 million illegal immigrants will be granted amnesty. Again there will be a promise to reduce future illegal entries, but in reality the bill will do little to reduce future entries. The granting of amnesty to 10 million illegal immigrants is likely to serve as a magnet pulling even greater numbers of aliens into the country in the future.

If enacted, the legislation would significantly increase welfare spending, and would spur even further increases in the future number of low skill migrants. This in turn would increase poverty in America, enlarge the welfare state and increase social and political tensions.

A Flood of Legal Immigrants

Although much of the debate about the Senate immigration bill relates to its amnesty provisions, even more significant are the huge increases in legal immigration hidden in the bill. By a ratio of about four to one, U.S. voters would prefer less immigration, not more. But the Senate bill ignores the public's wishes. The original Senate immigration bill would have allowed as many as 100 million people to legally immigrate to the United States over the next 20 years. Facing criticism, the Senate has amended the bill - which now, if enacted, would allow "only" 61 million new immigrants. That still more than doubles the current legal immigration rate, from 1 million a year now to 2.5 million per year.

Current law would let 19 million legal immigrants enter the United States over the next 20 years; the Senate immigration bill would add an extra 42 million.

Under the Senate bill, immigrants could enter or attain lawful status within the country through nine channels. In each channel, immigrants would gain permanent residence and the right to become citizens:

Current law visas: About 950,000 persons now get permanent-residence visas every year under current law. Over 20 years, the inflow of immigrants through this channel would be 19 million.

Amnesty: The bill would grant amnesty to roughly 10 million illegal immigrants now living in the U.S.

Spouses/children of illegal immigrants given amnesty: Illegals who got amnesty could bring their spouses and children into the country as legal permanent residents with the

opportunity for full citizenship. The resulting number of spouses and children who'd enter the United States: at least 5 million.

"Family chain" migration: Today's law limits the number of kinship visas for secondary family members, such as adult brothers and sisters. The Senate bill would raise the cap on such secondary family immigration from around 230,000 to 480,000 per year, bringing in 5 million new immigrants over 20 years.

Temporary guest workers for life: The amended Senate bill would let 200,000 people to enter through the guest-worker program each year. Over 20 years, that works out to a total inflow of 4 million. The "guest workers" aren't temporary at all, but could stay in the U.S. permanently and become citizens.

Spouses/children of guest workers: Guest workers could bring their spouses and children to the United States as permanent residents, adding another 4.8 million entrants over 20 years.

Worker visas for skilled specialty occupations: The Senate bill would initially double the number of specialty workers who could enter the U.S., and would then allow the number to increase by 20 percent in each subsequent year. These workers would be permitted to request permanent residence, and, in most cases, would be able to stay in the U.S. for life. More than five and a half million legal immigrant workers could enter under these provisions over the next twenty years.[61]

Spouses/children of specialty workers: Specialty workers could bring their spouses and children to the United States as permanent residents, adding another 3 million entrants over 20 years.

Refugee Women: Under the bill, an unlimited number of women who fear they may undergo "harm" as a result of their sex may enter the U.S. as refugees and become citizens. The numbers who would enter under this open-ended provision is uncertain, perhaps, one million over 20 years.

Parents of naturalized citizens: Senate bill would greatly increase the number of naturalized citizens, each would have an unlimited right to bring their parents into the country as legal permanent residents. The resulting number of parents who would enter as permanent legal residents: around 3.5 million over 20 years.

If the Senate bill became law, foreign born immigrants would rise to around 18 percent of the total U.S. population, an immigration level far higher than at any previous time in

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[61] S.2611 fails to provide sufficient green cards to grant legal permanent residence to all the future H1B skilled workers, but each such worker would have the right to petition for legal permanent residence(LPR). Once this petition is made the worker is effectively permitted to remain in the U.S. permanently. If S.2611 were enacted in its current form, the net effect would be a very large backlog of skilled workers in future years who had petitioned for LPR but were unable to obtain green cards. The number of green cards would undoubtedly be increased to reduce the backlog.

U.S. history. Many in this looming tidal wave of immigration would be low skilled individuals who will impose great social and economic costs on the nation.

In sum, the Senate bill would bring profound change, transforming the United States socially, economically and politically. Within two decades, the character of our country would differ dramatically from what exists today.

Policy Implications

Immigration to the U.S. is a privilege, not a right. Immigrants should be net contributors to the government and society and should not be a fiscal burden to the native born. While highly educated immigrants, on average, make a positive fiscal contribution, the fiscal impact of low skill immigrants is negative.

Over the last 20 years, around 10 million individuals without a high school degree have entered the United States. Many of these also have a high probability of out-of-wedlock childbearing. Unless U.S. immigration policy is changed, these trends are likely to continue. Granting amnesty to current illegal immigrants exacerbates the problem.

Sound immigration policy should be based on two principles. The first is respect for the rule of law. American citizens should determine who is allowed to enter the country, and who is allowed to become a citizen and vote in our elections. Lax border enforcement and non-enforcement of laws against employing illegal immigrants have encouraged over 10 million persons to enter the country unlawfully. Past and pending amnesties reward this behavior. Under the current system decisions about who will live in the U.S. and who will become a citizen tend to be made unilaterally by foreigners. If the Comprehensive Immigration Reform Act (CIRA) (S.2611) becomes law, it will undermine the rule of law and put the U.S. on the path of uncontrolled immigration punctuated by recurring amnesties.

Second, recognizing the fact that low skill immigrants are likely to be a fiscal burden on society, government should increase the average skill and education level of incoming immigrants. Currently, the average skill level of immigrants is significantly reduced by two factors: largely uncontrolled border crossings, and the high priority on kinship ties in the issuance of permanent residence visas. Currently only 7.6 percent of persons granted visas for permanent entry into the U.S. are selected on the basis of the education and skill level.[62] To the increase the skill level of future immigrants, the U.S. should stop the inflow of future illegal immigrants, reduce the number of family reunification visas, and increase the number of employment and skill based visas.

Five specific policies follow from these principles.

Future immigration policy should seek to reduce the number of low skill entrants who are likely to impose large costs on American society and to increase the number of high

[62] Barry R. Chiswick, "Written Testimony" at the hearing on "Immigration: The Economic Impact," Committee on the Judiciary, United States Senate, April 25, 2006, p. 8.

skill entrants who are likely to make a strong positive fiscal contribution. To accomplish this Congress should adopt the following policies.

1. The future influx of illegal immigrants should be stopped by rigorous border security programs as well as strong programs to prevent employers from employing illegal immigrants.

2. Amnesty and citizenship should not be given to current illegal aliens. Amnesty has negative fiscal consequences and is manifestly unfair to those who have waited for years seeking to enter the country lawfully. Amnesty would also serve as a magnet drawing even more future illegal immigration.

3. Any guest worker program should grant temporary, not permanent, residence and should not be a pathway to citizenship. A guest worker program should not disproportionately swell the future ranks of low skill workers.

4. Children born to parents who are illegal or to future guest workers should not be given citizenship status. Granting citizenship automatically confers welfare eligibility and makes it unlikely the parent will ever leave the U.S.[63]

5. The legal immigration system grants lawful permanent residence to some 950,000 persons each year. In the future this system should be altered to substantially increase the proportion of new entrants with higher levels of education. Under current law, foreign born parents, and brothers and sisters of naturalized citizens are given preference for entry visas. The current visa allotments for family members (other than spouses and minor children) should be eliminated, and quotas for employment and skill based entry increased proportionately.

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[63] John C. Eastman, "From Feudalism to Consent: Rethinking Birthright Citizenship", *Legal Memorandum, No. 18,* The Heritage Foundation, Washington, D.C., March 30, 2006.

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Senator ALLARD. Thank you both for your testimony.

Governor, you've made a lot of suggestions here to the Congress and to this Committee as to what could be done to help deal with the problem of illegal immigrants.

What is the perhaps most single important thing we could do to stop the problem from getting worse here in the State of Colorado?

Governor Owens. Mr. Chairman, thank you. On specific bases, what you could do is give us more power to set standards in terms of identification, in terms of making sure that current Federal law, which says that benefits can only go to citizens, that we can actually help implement that law.

Right now, our hands are tied because while Federal law says that these programs are only for citizens, Federal law doesn't allow us to actually ask the questions to ascertain whether somebody is, in fact, a citizen.

Obviously, on a macro level there is the question of doing a better job to make sure that people can't literally walk into the United States at will, while at the same time making sure that we have procedures in place to allow us to have those people, as Mr. Rector

suggested and others have, who, in fact, benefit our country, benefit our economy, add in fact value to this country, that we have a system to allow them to come in legally.

So that's the conundrum, and if you don't do a better job at the border, nothing we do in terms of reforming the visa system or the programs that allow us to have people move to this country legally will work, because people will still walk around that program by coming across, you know, any of our borders on foot.

Senator Allard. Would you agree with Mr. Cullinan's comments that the Federal Government, as far as illegal immigrants coming in, is affected in a different way than what State and local governments are?

Governor Owens. Senator, I did hear Mr. Cullinan say that, and noted it, that there is a different cost at the Federal level for illegal immigration than at the State and local level, and we actually do pay, in some ways, the bills are paid here in terms of K–12 education.

Again, there's a Federal law that says that children shall be educated, and that's the humane and civil way to run a society.

However, we have some urban districts in this State where estimates from within the district, from the district itself, are that about a third of its children are either here illegally or, in fact, their parents are.

That's a significant cost to State and local taxpayers, as are the other costs that I discussed earlier in my testimony.

So, yes, there is a significant cost. I think that Mr. Rector and Mr. Cullinan have also pointed out that sometimes, in fact, there's tax income, as well, though I concur with what I believe their position was, that many times it's not equal to the costs.

Senator Allard. Mr. Cullinan, you are directed by the Congress under your Congressional Budget Office guidelines to estimate budgets out for 10 years, is that correct?

Mr. Cullinan. That's correct.

Senator Allard. And, now, under the bill that we passed out of the Senate, the first year that somebody here illegally could be granted citizenship would be how far down?

Mr. Cullinan. Let's see, I believe it's the 11th year or thereabouts.

Senator Allard. The 11th year.

Mr. Cullinan. So they are basically outside of the window. The costs for those—that class of immigrant that's in the Senate bill is largely attributable to additional citizen children of those illegal immigrants.

Senator Allard. So and then when they become full-fledged citizens, then they qualify for these benefits, and as a result of that, do you believe that your figures beyond 10 years underestimate the costs of these programs?

Mr. Cullinan. If we were to go beyond 10 years, definitely the costs would escalate.

But I do want to point out that not everyone would choose the citizenship route, as well. It appears as if a significant portion of those who were legalized back in the Immigration Reform and Control Act (IRCA) period did not, in fact, pass through to citizenship.

Senator Allard. So do you think a substantial number would not pursue citizenship, or just a few, or do you dare speculate on that?

Mr. Cullinan. The experience with IRCA, I believe, is that fewer than half of those did so within the first 10 years of being able to naturalize.

Senator Allard. OK. On your testimony, Mr. Rector, you had different figures than what the Joint Budget Committee, or the Congressional Budget Office testified to. What would you attribute that to?

Mr. Rector. Well, just to clarify one point. For most welfare programs, you don't have to be a citizen. You have to have been here as a resident for 5 years. It's only Supplemental Security Income where you have to be a citizen.

So they don't have to be citizens, but they do have to have been legal permanent residents for 5 years.

I would say the No. 1 difference would be that—well, that I'm estimating costs that are going to accrue about 15 years out. In fact, all of the costs in this bill come in the 11th year and afterward, and therefore, to have a budget analysis that's restricted to the first 10 years, doesn't tell you squat about the fiscal impact of this bill, OK?

So, they become citizens in the 11th year or they become eligible for welfare, that's when all of these things will start to pile on.

Secondly, I'm using all of—there are over 80 Federal means-tested programs. I have them all in my model to produce these costs. CBO is using a much smaller number of programs.

I also have the State and local. The State and local governments are required, I know you're very happy, they're required to contribute to all of these wonderful Federal welfare programs. I have those mandatory State costs in there, as well.

Also, I don't know how they estimated, I mean, you have to correct, as the National Academy of Sciences does, when you're modeling this, you have to correct for the under-reporting that occurs in, for example, census data bases and so forth so that you get up to the real total spending, which if you don't make that correction, you come out with way below what's actually being spent.

I think those are the major differences, but again, I think that we need to understand that if, for example, you take someone who is here legally, it's a family of four. That type of family doesn't pay any Federal Social Security taxes if they have incomes below $25,000 a year because they get the earned income tax credit and the refundable child credit that wipes out their entire Social Security contribution.

A family typically in the U.S. doesn't pay any Federal income tax, OK, if they make less than $40,000 a year. Meanwhile, we have this $583 billion dollar means-tested welfare system, it's 5 percent of the gross domestic product, essentially is taxed out of the upper-middle class and distributed in the form of cash, food, housing, free medical care, down to the lowest income one-third of the population.

The problem with the Senate bill and with immigration, as it's currently constructed, is we're adding people to the low end of this equation who are by nature not taxpayers or they pay very little, but are very large recipients of this massive transfer system.

A lot of times, people say, "Oh, you know, well we used to have lots of immigration in the past, and that wasn't so much of a problem." I would emphasize that, again, immigrants in all previous historical periods, the immigrants have had skill levels at least equal to or superior to those of the natives. So they were raising the skill level in the population, not lowering it.

But also, if you look at the peak of the late last great migration, say around 1900, we didn't even have a Federal income tax let alone a massive Federal income tax that comes in each and every year that's designed to take away from the upper end of the income spectrum and re-distribute massive resources into less affluent people.

Again, there's a reason that we do that, but there's also a reason why, if you try to do that to an unlimited flow of people that are very poorly educated coming here from Guatemala or Mexico, that that would, in fact, be financially ruinous for the American taxpayer.

Senator Allard. And back to you, Mr. Cullinan. Mr. Rector said he incorporated a greater number of means-tested programs than you do in your study. I don't know whether you've looked at his study or not, but would you agree with that and why the difference?

Mr. Cullinan. There are several elements of that. There is a set of programs which are not part of our analysis because they're under the discretionary portion of the budget. That's not the bulk, but there is a significant share—for instance, the housing assistance, WIC, a number of programs like that—that are funded annually out of appropriations and are not considered mandatory spending.

Thus, the direct effects of the bill, to increase the number of potentially eligible for those programs, doesn't directly affect the costs of those programs.

However, it is in all likelihood that the Congress will come back and consider changing the levels of resources provided to those programs. When that happens, we will be attributing those costs to that bill, not to this bill.

Senator Allard. Do you see any shortcomings in the formula that Mr. Rector used to estimate costs, just off the cuff? I don't know how closely you've looked at his methodology.

Mr. Cullinan. We've looked at it, and in fact, some of the material from the earlier estimates that he did along with his colleagues at Heritage.

We did consider some of those things and modified some of our technical assumptions when we did the estimate for the Senate-passed bill.

I haven't really looked in great detail as to those programs that are in there and what are not.

One thing I would point out, though, is that the bill has a major increase in the number of employment-based visas, as well, and takes some high-tech people or highly educated people out from underneath the numerical limits themselves.

So, you've got some of the bill that's going toward high-skill people, and two big pieces are going toward typically much lesser skilled people, the legalization aspect and the guest worker aspect.

Senator Allard. Would you agree, Mr. Rector, that your figures are much greater because you encompass more in your analysis than what Mr. Cullinan did?

Mr. Rector. Yes, and also he does suffer under this handicap of being restricted to the first 10 years——

Senator Allard. Yes.

Mr. Rector.—which we both agree is kind of meaningless, because all the fiscal impacts come later.

Senator Allard. Which is the standard policy of the Senate, we treat all legislation the same, and you've got to draw the line somewhere. In this case, we drew 10 years, which tends to distort the figures a little bit because of that, yes.

Mr. Rector. And that is particularly true for the two sets of the two groups I just mentioned, in that they are, in fact, have a longer lead time to get to the State at which they would be potentially eligible for benefits.

It's 11 years for the—at a minimum—for the legalization folks. It is a minimum of nine, I think, years for the guest workers, because they can't apply for LPR status, Legal Permanent Resident status until after the fourth year.

So both of those groups, the costs associated with those groups, are going to be beyond the 10-year window.

Mr. Rector. As you've heard me say before, this is the way that the Government grows. You guys never go out and say, "Hey, tomorrow why don't we spend $50 billion extra," you know.

We create Government growth by creating the conditions under which Government is going to grow in the deep out years, and that's exactly what this bill does.

It is, in fact, I've worked on welfare for 20 years, this is the largest expansion of the U.S. welfare system in the last 20 or 30 years. You'd have to go back to the creation of Medicaid to find an expansion that's larger than this, although it doesn't show up for the first 10 years.

It is true also that the bill does largely un-acknowledge, permit increases in immigrants, highly skilled, college educated, immigrants. And there's a general consensus that they are a fiscal positive; the taxes they will pay exceed the benefits.

But, what I would say is if high skill immigrants are a positive and low skill immigrants are a strong negative, and we say, "OK, so that's a good deal," that's sort of like a stock broker saying to you, "I've got two stocks: One's going to make money, the other is going to lose money, why don't you buy both of them?"

I would say that's not a really good idea, that what we ought to do is have an immigration policy that brings in people that, in fact, are not a net drag on the taxpayer and avoid those who are going to be a net drag on the taxpayer, and also avoid those who are going to impose additional social costs, such as increased crime.

Senator Allard. I want to thank this panel for your testimony. You've been very helpful.

What happens with the Committee is that we may submit questions to you after this hearing, and we would ask that you respond back within 10 days, if you would, please. We would appreciate that, and we'll make it a part of the record.

And so I want to thank the panel. Mr. Governor, I want to thank you for being here. Paul, thank you, and Robert, thank you both for being here and coming to Colorado to share your expertise with us.

The second panel we'll now call up, and the make-up of the second panel will be Mr. Ed Tauer, Mayor of Aurora, Colorado; Mr. Dan Rubinstein, Chief Deputy District Attorney, Mesa County; Ms. Helen Krieble, President and Founder of the Vernon K. Krieble Foundation; Ms. Paula Presley, Commander in the El Paso County Sheriff's Office; Tony Gagliardi, Colorado State Director of the National Federation of Independent Business; and Mr. Ken Buck, Weld County District Attorney.

OK, we'll now have the Committee come to order.

I'd like to start with Mayor Tauer and at the very start thank you, Mayor, and the city of Aurora for allowing us to use this very fine facility and for providing the security and the comforts of home for those who have come here to testify.

Mr. Tauer, we are limiting members on this panel to 5 minutes, and would ask that you summarize your testimony in 5 minutes.

There will be a light on the podium right here in front of me, and when that turns red, then that's an indication. It will turn yellow, indicating you're getting close, and then red indicates you're past 5 minutes.

Now, we're not going to gavel you down, but we would ask you to be sensitive to that, and I might, in the context of things, politely remind you that your time is expiring.

So, Mr. Tauer, you now are recognized.

STATEMENT OF MAYOR ED TAUER, MAYOR, AURORA, COLORADO

Mr. Tauer. Senator, I think we'll have to treat those lights much as we do a photo red light in the city. Somebody is going to complain, but overall it ends up with a good result.

First, Senator, we want to thank you for having this hearing today.

We think that it's really critical to the citizens of Colorado, and we hear literally every day from our citizens about concerns about illegal immigration, and we think it's just a terrific thing that you're coming here and that you can hear from local officials and State officials about the impact that this has on our communities.

We recognize that there are a lot of impacts; some economic impacts, social impacts. And you've just heard from three people in the first panel who talked about what a lot of those impacts are.

I'm going to limit our testimony to something much more specific, and that is trying to address some of the specific impacts on local government budgets.

So we recognize that there are a lot of things that we won't be talking about, but we think it's important to include in the debate what is the impact of illegal immigration on our local communities.

The first thing we want to talk about is something that you've already heard, which is that it's very difficult to pinpoint what are the exact impacts of illegal immigration.

As the Governor mentioned a little while ago, in our school districts, we're specifically prohibited from asking the immigration

status of students or their parents. The result of that is that you have to make assumptions when you try and assess costs.

We have to do the same thing in our city. When we look at impacts of illegal immigration on our budget, we have to look at what does the Census Bureau tell us the general population of illegal immigrants is in Colorado, and then use that and extend that into Aurora to see what our impacts would be.

So, the numbers that we're going to talk to you about are our best reasonable estimates available. But the truth is that nobody can say specifically "here is the exact number" on either the cost or revenue side, and in the impact to local governments. We have to make assumptions in order to give you some numbers.

The first thing that I want to talk about is the impact on a typical Colorado community's budget, using Aurora as an example, but as I talk to other mayors and city council members from around the State, our experience is really typical of what you'd see in any community.

I'm not going to talk to you about things like parks and recreation budgets, translators, code enforcement people, things like that. I want to limit our comments really to public safety.

If we look just at what does it cost for our police and fire departments to respond to the needs of illegal immigrants in our community, we are looking at something over $5 million every year.

That's a significant part of our budget, and we're looking at that we could have easily a couple hundred, if you look at all of the impacts, including schools, a couple hundred teachers and police officers additional for our citizens if it weren't for these impacts.

But just for public safety alone, we're looking at over $5 million.

Last year, we detained over 2,000 illegal immigrants. Those costs do not include the cost of prosecution or the cost of detaining people in our State prison system.

When we look at K–12 education, you've heard from a couple of people that it's difficult to get those exact numbers. And what we've used is, looking at English as a second language populations in our communities, and the Governor told you a few minutes ago that in some communities in Colorado, those numbers are as high as a third.

Our numbers are a little lower than that, and we did not assume that all of those are either illegal or they are children of illegal immigrants.

But still, just looking at a very conservative number of 25 percent of the ESL kids in Aurora, we're still looking at over $20 million that the taxpayers of Aurora are paying to educate those children.

And that's conservative, compared to the numbers that they Governor gave you, which I think was a total of, I think, $500 million across the State.

So those impacts on local communities are very real.

When we look at health care, we talked to both of the hospitals in Aurora, and between those two hospitals, this doesn't include clinics or doctor visits, just to those hospitals, the emergency care was approaching $10 million a year.

Those are very real impacts to our community.

One of the things that we hear very often is, "Well, don't illegal immigrants pay taxes, so doesn't that balance it all out?"

In the first panel, they went into a lot more detail than I'm going to about that that's not necessarily true, but to kind of support some of the things that they were saying, I'd like to give you a few anecdotal stories.

One of the things that we see consistently, not just in Aurora, but across the Front Range, is where often illegal immigrants come in and have multiple families living in what is designed to be a single-family residence.

The result of that is you have many more people on a given property that's paying property taxes than you might typically have for U.S. citizens in the same income bracket.

The result is you have less property taxes per student going into those schools. So, is it true that indirectly, even if they're renting they're paying property taxes? Yes. Is that often less than it might be for some other family in the same economic circumstances? That's true, as well.

We also have to look at that city government in Colorado is largely driven by sales tax. If you have people who are sending large portions of their income out of the country, that's money that's not being spent in our local economy, and sales tax that isn't being generated for our local governments.

What this means is that in Colorado we have local communities that have very real costs, and those costs are significant.

Without concrete data, we can still look at reasonable assumptions that would say that the taxes generated by illegal immigrants are typically not supporting all of the costs associated with illegal immigrants. And that's consistent with what you heard in the first panel.

There are a lot of contributions that immigrants, both legal and illegal, make in our community, and Senator, you've made that point before. We're not trying to judge that. We're only looking at what is the budgetary impact on our local communities, both to local governments and to schools.

Typically, the budget impact is that the costs, we believe, based on what we've been able to determine, exceed the taxes that are paid in.

Senator, the local communities in Colorado would like to be your partner. We believe from our citizens' comments that this is the No. 1 issue that citizens in Colorado are concerned about.

The local communities in Colorado would like to be a part of developing the answer, and we would like to ask that those local impacts are included in the discussion that we have in Washington.

Again, Senator, we thank you. I know there's a lot of people for you to hear from today, so I'm going to wrap up my remarks and I'll stay and answer any questions that you have.

[The prepared statement of Mr. Tauer follows:]

U.S. Senate Budget Committee Field Hearing
U.S. Senator Wayne Allard Presiding
August 30, 2006
Aurora Municipal Center

Testimony from Mayor Ed Tauer, City of Aurora

1. Introduction

Senator Allard:

On behalf of the people of Colorado, and the people of Aurora, I would like to thank you for bringing this hearing to Aurora. I don't know if it is possible to understand from Washington the concern that is caused in America's communities by the issue of illegal immigration. Literally every day, our citizens speak of their concerns about illegal immigration and its affect on our community. That is why we appreciate you coming to hear directly from our community. Your interest in personally hearing from citizens has been a hallmark of your time in the senate.

I am here to provide, to the degree possible, facts about the cost of illegal immigration at a local level. My testimony is not a judgment on this issue that faces our nation, but rather a representation of the challenges and costs we face locally, and one that is faced in other communities across our country.

As your team has explained to us, today is about the local economic and budgetary impacts of illegal immigration. In respect for your time, we would like to get to the specifics we have as quickly as possible.

There are five specific areas I would like to cover:
- Methods for determining costs
- Direct costs to city government
- Direct costs for K-12 education in Aurora
- Direct health care costs in Aurora
- Impact on local taxes

Methods for determining costs
The real costs of illegal immigration are dauntingly complex and are difficult to accurately assess. Well-intentioned federal laws, including federal court rulings, often impede the ability to accurately define these costs.

The best example is local school costs. Local schools are specifically prevented from checking the legal status of students or their parents. In fact, all that's needed is some

proof of residency, such as a cable TV bill, to register a student. The school district is not able to ask for or check the immigration status of either the incoming student, or their parent/guardian.

There are similar provisions in other areas, such as health care. In light of the hearing you are holding today, we believe that the common response that "we don't know what the costs are" is unacceptable. We have endeavored to make conservative estimates of the costs associated with illegal immigration in a local community like Aurora.

The bottom line is that no one can say with minute accuracy what the true costs of illegal immigration are.

2. Direct Costs to City Government

Like other local communities and across the county, we must strike a balance between the revenue we receive and the services we provide.

Determining the cost of some services, like parks and libraries, consumed by illegal immigrants would be impractical. For this hearing we have focused on public safety areas, where we believe we can make reasonable assumptions on costs. Estimates are that at least five percent of Colorado's population is here illegally. Applying this number in our community, we arrive at the following numbers. In courts, police and fire costs alone, the City of Aurora spends $5.9 million on illegal immigrants, specifically:

Police	$3,600,000
Public Safety Center	$ 225,000
Fire and Emergency Services	$1,600,000
Courts	$ 500,000
Total:	$5,900,000

On average, Aurora detains more than 2,000 illegal immigrants per year. These court figures only include municipal violations, and do not include the cost of prosecuting felonies, or of keeping those felons in prison.

3. Direct costs for K-12 Education

As mentioned earlier in my testimony, federal law prohibits public schools from tracking immigration status. However, we know that illegal immigration has a tangible cost to schools. Funding for public education is largely dependent on property taxes, and if one assumes the majority of illegal immigrants do not own property, there is a significant shortfall between their financial support and the cost to provide a public education to their children.

There are two school districts in Aurora; the Aurora and Cherry Creek Public School Districts and they spend an average of $6,700 per student every year.

More than 12,000 English as a Second Language (ESL) students are enrolled in the two school districts. While federal law prohibits the identification of illegal immigrants by schools, it is reasonable to assume that a large number of ESL students are also children of illegal immigrants. If we were to conservatively assume that 25 percent of ESL students are in this country illegally, at an average cost of $6,700 per student, our local school districts are spending approximately $20 million on the education of illegal immigrants.

It's obvious that funding the education of illegal immigrants has a tremendous impact on our local community and rather than using that money to hire additional teachers and police officers, our city is forced to cut funding for services in other areas.

4. Direct Health Care Costs in Aurora

Government programs, especially education, are often cited in discussions on illegal immigration. But there are also private sector costs that we would like to mention. Many illegal immigrants do not have health insurance, nor can they afford to pay for medical care. As a result, they may not seek care until the health situation is a crisis, and then seek emergency care, which is far more expensive.

By federal law, emergency rooms must treat anyone in an emergency medical situation regardless of their ability to pay or their legal status.

I have spoken with the Chief Financial Officer from the Aurora Medical Center, a HealthONE hospital. I have also spoken with the CEO of the University of Colorado Hospital. Their best estimates suggest that these two hospitals spend nearly $10 million treating illegal immigrants.

It is important to note that these are known costs, and are partially recovered through state taxes, and also through increased insurance costs for you and me.

5. Impact on Local Taxes

Local governments are primarily supported by property and sales taxes. While some illegal immigrants do pay taxes, on average, the amount they pay is significantly less than legal residents. This is due to a number of factors:

Many employers pay illegal immigrants in cash, and as a result, federal and state income taxes are not withheld.

Illegal immigrants' earning potential is often limited, and therefore, so is their expendable income. That translates into a gap between sales tax collected and services provided.

Wanting to provide for their families, many illegal immigrants send a large portion of their earnings home, rather than spend it in the local economy.

What the Cost of Illegal Immigration Means for Local Communities

You might wonder how these impacts translate to daily life in our community. As I stated earlier, while the exact costs associated with illegal immigration are hard to quantify, they are real—and they are significant. This equates to the inability of cities to hire hundreds of additional police officers and teachers.

In closing, we acknowledge and celebrate the contributions of immigrants in our nation's history, but it's time to take a serious look at the overwhelming financial impact of illegal immigration. Local government is willing to do its part, but the federal government must address the overall issue.

Senator, you have an eager partner in local government. We are limited by state and federal law. We would like to be your partner in dealing with this critical issue. I ask that you include these very real local costs in the debate, and I look forward to working with you in addressing this challenge.

Thank you again for the opportunity to speak today.

Mr. TAUER. Thank you.

Senator Allard. And thank you for your hospitality.

Mr. Rubinstein, you're Chief Deputy District Attorney of Mesa County. Your community has had a real problem with the methamphetamines, and you have a Meth Task Force because of the methamphetamine problem.

And your testimony that I read over, had a considerable amount of information in it about dealing with the problem on the Western Slope.

During your 5 minutes, I hope you can tie that a little more in closely with the budget events and how that affects budgets in your law enforcement and what you're trying to deal with, and why you think that affects budgets and why illegal immigrants is a part of that.

You have 5 minutes.

STATEMENT OF DAN RUBINSTEIN, CHIEF DEPUTY DISTRICT ATTORNEY AND MESA COUNTY METH TASK FORCE EXECUTIVE BOARD MEMBER

Mr. Rubinstein. Absolutely. Thank you, Senator, for having me.

I want to start by saying that we accept the numbers that the Drug Enforcement Administration is giving us that 60 percent of the methamphetamine that's coming into our area is coming in from Mexican drug organizations operating outside of the United States; 20 percent is coming from Mexican drug organizations operating inside the United States; and the other 20 percent is coming from elsewhere.

I want to talk a little bit about the violence that we've seen in Mesa County, and that's going to tie in greatly with some of the costs. A lot of the issues I'm going to talk about are related to border issues and some immigration, as well.

Over the last few years, we've seen a huge increase in methamphetamine-related violence. In 2005, Jamie Birch was shot by a 22 year old man over a $300 drug debt from a prior methamphetamine deal.

In October of 2005, a young man was murdered execution-style with a shot to the forehead at point blank range for $600 owed from a prior meth deal.

The victim in that case had earned an athletic scholarship, but never made it because he spiraled downward as a result of methamphetamine before going to college.

We are currently prosecuting a first degree murder case as a result of that incident. And 2 weeks ago, the person we're prosecuting, his father was sentenced to 38- years in prison as a result of his own drug dealing and possession with intent to distribute cases.

Shortly after that murder took place, the young man was taken out to the desert north of Grand Junction and shot six times. The two shooters in that case did so because they believed, falsely, that that individual had cooperated with law enforcement in the earlier murder case. By the grace of God, that gentleman survived.

All of this terrible violence is representative of what we've seen and it's a pattern we're attempting to break.

In 2005, our Drug Task Force seized seven guns. In the first months, the first 7 months of 2006, we've already seized 52 guns.

In 2005, our Drug Task Force arrested 111 people related to methamphetamine. We've already arrested 112 in the first 7 months of this year.

Thanks to some visionary leadership by our DA's office, the Sheriff, the police chief, the county commissioners and the city council, we have had an unprecedented response to this, but it has been very costly to us.

We successfully ran a wire tap, which was extremely expensive, and it resulted in the arrest of now 44 people. That briefly hampered the supply of methamphetamine coming into Mesa County.

In 2005, we had seized 58- pounds. Thus far in 2006, we have seized 25 1/2, so we've slowed it just to the pace of last year, whereas the other numbers have greatly increased.

When we were searching for the murder suspect and the two shooters in the retaliation murder, we learned about some enforce-

ment efforts. Both of those manhunts stretched over several days, and we learned that assigning patrol teams to work heavily the meth sub-culture not only caused us to locate those individuals, but caused a huge decrease in the property crimes that we learned were related.

We had previously connected the 190 percent increase in property crimes in Mesa County between 2000 and 2004 to the rise in methamphetamine.

This confirmed that to us, and as a result of that, we have created a special Street Crimes Unit specifically to target that. That unit costs us an additional half million dollars a year, which we would not otherwise have spent had we not been trying to get a handle on the meth problem locally.

We estimate the cost of a mother with children, who goes into the Department of Human Services system, to cost between $200,000 and $300,000. That is the cost for DA's, judges, public defenders, jurors, police, sheriffs, and that's just on the criminal side.

On the dependency and neglect side, as well, we have to employ county attorneys, Department of Human Services workers, put kids into foster care, do drug and alcohol counseling for the parents, mental health counseling for the kids, and there's a lot of collateral services that go into that.

A recent example of this is in June of 2006, two illegal immigrants were arrested for drug trafficking of methamphetamine. They had three pounds of methamphetamine on them and $57,000 in cash.

They sat in the Mesa County Jail at a cost to us of $52.40 per day. As a result of immigration holds, they were not eligible to bond out. And we also put their four children, ages one, three, 13 and 14, into the Department of Human Services' custody in foster care, at a cost to us of $10,000—over $10,000 per year.

We estimate the—well, there was 745 immigration holds in Mesa County in 2005 on a variety of charges, and because of the immigration hold, they don't post a bond.

When we did our white paper to do the study to create our Meth Task Force, we found that 49 percent of our jail inmates were in possession of methamphetamine at the time they were arrested, and 79 percent of them were high at the time they were arrested.

In summary, Senator, we know that the drugs are not being manufactured locally in Mesa County. We know this because out methamphetamine labs have greatly reduced, and we attribute that to effective legislation, both on the Federal and the State level. And the pseudoephedrine is not available, and that is the main ingredient in methamphetamine.

What we also know is that methamphetamine has caused us more violence and more problems than anything else in Mesa County history, and we ask the Federal Government's assistance on that.

Thank you for your time.

[The prepared statement of Mr. Rubinstein follows:]

I am Daniel P. Rubinstein. I am the Chief Deputy District Attorney for Mesa County, the 21st Judicial District. I am charge of the drug unit for our office, work in conjunction with the Western Colorado DEA Drug Task Force and am chairman of the Enforcement subcommittee of the Mesa County Meth Task Force.

I thank the Senate and this subcommittee for the opportunity to testify about the Methamphetamine problem we face in Western Colorado as well as the possibility that this problem may be related to immigration issues.

First I would like to talk about violence in Mesa, violence which is all too often directly fueled by methamphetamine.

Over the last few years we have seen huge increases in Methamphetamine related violence. In March, 2005 Jamie Burch was by shot a 22 year old man over $300 owed for a prior meth deal. That amount of money will purchase approximately 1/8 of 1 oz of methamphetamine.

In Oct. 2005 a young man was murdered execution style with a shot to the forehead at point blank range over $600 owed for a prior meth deal. The victim, had a earned an athletic scholarship to college but never made it to college due to a rapid and ultimately deadly downward spiral caused by Meth the summer before he was murdered.. My office is prosecuting Chris Wieberg with 1st Degree Murder for this incident. Chris Wieberg's father, Greg, was sentenced 2 weeks ago to 38 ½ years in prison for dealing meth and possessing distribution quantities. He was caught while we were searching for his son on the murder case.

Shortly after the Wieberg murder took place, a young man was taken out to the desert north of Grand Junction and was shot 6 times in the face. The 2 shooters did so based on a methamphetamine fueled (and false) belief that the young man had "narked" on Chris Wieberg. By the grace of God the young man survived, no thanks to methamphetamine.

In May of this year, a man on parole and on meth stole a car and during the ensuing chase collided at upwards of 60 MPH into a woman and her sister coming home from church on a Sunday morning. The woman was killed and her sister was severely injured.

All of this terrible violence is representative of a pattern we are now attempting to break.

In 2005 our Drug Task Force seized 7guns. In the first 7 months of 2006 we have already seized 52 guns.

In 2005 our Drug Task Force arrested 111 people. We arrested 112 in the fist 7 months of 2006.

Thanks to visionary leadership in our community by our DA, Police Chief, Sheriff, County Commissioners, City Council and others our response has been unprecedented, but it has been costly.

We successfully ran a wiretap which led the arrest and prosecution of, now 44 people. This has hampered the drugs availability briefly. In 2005 we seized 58.5 pounds of methamphetamine, and this year, through 7 months, we seized 25.5.

When we were searching for Chris Wieberg and the 2 desert shooters we learned much about enforcement efforts. Both of these manhunts were stretched over many days. We learned that assigning heavy patrol teams to work the known meth subculture led to information, but more importantly caused nearly a complete halt in the hundreds of property crimes we see every week, property crimes which are largely caused by methamphetamine addiction.

While we had previously connected the 190% increase in forgery cases between 2000 and 2004 to the rise in meth, we now confirmed the link. Our burgeoning criminal trespass, theft and burglary caseloads are also directly connected to the methamphetamine explosion.

This led to the Meth Task Force Enforcement Subcommittee successfully lobbying our local government to fund a special street crimes unit to target the meth subculture all the time. While we have high hopes for this unit's effectiveness, it requires additional resources costing ½ million per year at full staff. It is currently funded for 370,000 per year with additional costs close to 100,000 for start-up costs.

We estimate the cost of a mother with children who becomes addicted to meth and eneters into the court system at between $200,000 and $300,000. This cost considers DA's, Judges, Pub. Def., Police/Sheriff's, all on the criminal side. On the Dep. And Neg. side, there are DHS workers, County Attorneys, Judges, Foster families, Drug and Alc. Counseling for the parent, Mental Health counseling for the kids, and a huge cost in victimization of the community in potential for violence, and property crimes.

In response to the massive cost of addiction in families, and the lack of affordable treatment to prevent a more costly scenario, we are in the process of constructing a Meth Treatment Facility which is costing approximately 3.5 million dollars in the hopes that it will save us the 6 million dollar cost of building more jail space to house the growing Meth addicted population.

On a related note, those who offend and are here illegally, are arrested and held in custody on immigration holds, rather than being eligible to bond out, at enormous cost and burden on our already overcrowded jail.

In summary, we in Mesa County, Colorado are unable to attribute where each pound of Meth we seize comes from. We have no reason to dispute the numbers given to us by the Drug Enf. Administration, as they are consistent with what we learn during our investigations. We also know that the drugs are not being manufactured locally, as the number of meth labs we are seeing in our jurisdiction has greatly reduced. We attribute this fact to effective Federal and state legislation reducing the availability of pseudephedrine, the crucial ingredient in manufacturing meth.

What we also know is that this drug has caused more violence, more crime, more heartache and more abuse than any other factor in the history of Mesa County. We are asking for the assistance of the Federal Government in any way they can to help stop the influx of Meth to our communities.

Thank you for your consideration.

STATEMENT OF PAULA PRESLEY, COMMANDER, EL PASO COUNTY SHERIFF'S OFFICE

Ms. Presley. Thank you, Senator. My name is Paula Presley, and I'm a commander with the El Paso County Sheriff's Office, and I'd like to talk a little bit this afternoon about the impact that illegal immigration has on local law enforcement.

The increase of immigration in the last few years carries a significant price tag for local law enforcement agencies, which is, of course, then passed on to the taxpayers in those communities.

From the initial contact with law enforcement officers on the street, to the deputy working a ward in a detention facility, the burdens and the costs are increasing.

Patrol deputies and police officers often contact these immigrants on the street, and spend a considerable amount of time trying to confirm their identity or ascertain citizenship.

Often this is only confirmed if and when that individual is taken into custody and incarcerated in one of the detention facilities.

This process can be extremely time consuming as some of these individuals use a variety of aliases, specifically those who have been incarcerated in the local jails numerous times.

If they are not incarcerated, confirmation of their identity may never occur and they may continue to live and work in the communities across Colorado without any legal status, as well as commit crimes in those communities.

If the person is taken into custody and incarcerated on State or Federal charges, identity is more often than not confirmed through fingerprint identification.

Immigration and Customs Enforcement is notified if the person is foreign-born, so the process of citizenship can be confirmed or denied.

ICE may then place a hold on an individual; however, will not start deportation procedures until current criminal charges receive a disposition, or, in El Paso County's case, the bond is set for those charges and the bond is posted.

The posting of the bond and subsequent deportation raises a variety of concerns for local law enforcement and the victims in many of these crimes.

If the bond is posted and the hold is placed by ICE, the person will be transferred to ICE for potential deportation.

A bond deportation, often the bond is recovered by whoever posted that bond; whether it's a local bond agent or family member, and that is statutorily permitted and the agent or family member suffers no financial loss.

Often, the charges, then, are dismissed upon confirmation of the deportation.

To give you an example of this, last year, in 2005, June 9th, a defendant in El Paso County was arrested for unlawful distribution and manufacturing of schedule two, and a bond was set for $10,000.

On August 21st, the defendant's bond was posted by a local bond agency. On the 22nd, he was released to an ICE agent, and on September 6th, he was ordered to be deported, and subsequently deported on September 8th.

On November 28, 2005, the defendant's case was dismissed due to deportation. Unbeknownst to the courts at that time, and of course local law enforcement, the defendant was back in the county and committed a kidnaping and assault with a deadly weapon on November 25th—three days prior to the dismissal of his original case.

The warrant was not issued until December 19, 2005. Of course, that defendant didn't face any penalty for the first case, and a warrant was issued and was still at large the last time I checked for the second case.

If the person elects voluntary deportation, they may suffer no penalty for returning to the United States, or for the previous criminal offenses if the charges have been dismissed.

This could also occur as a result of some type of plea bargain in the court system.

If there is an order of deportation, then, of course, entry into the country can be a felony.

We also have a problem with defendants posting a bond post-conviction, pre-sentence. So they've been convicted of a crime, they're yet to be sentenced, and a bond is still set.

If the defendant posts a bond, then of course, they can evade a sentence.

An example of this, which was provided to me by one of our local judges in the Fourth Judicial District, is as follows:

On November 21, 2005 a defendant pled guilty to a class four felony possession of more than one gram of cocaine. The plea agreement called for a cap of 4 years in prison. After the plea, the defendant asked the court to reduce his bond; it was set in the amount of $25,000.

The court refused to reduce the bond, and sentencing was set for January 23, 2006. On December 24, 2005, a cash bond was posted in the amount of $25,000 by a family member.

A pre-sentence investigation report was done, recommending a prison sentence based on the facts of the case, which included large amounts of drugs, money, and a firearm.

But at the time the PSR was prepared by the probation department, ICE had already removed this defendant to Aurora.

He failed to appear on January 23, 2006 and a warrant was issued for his arrest. The People indicated the defendant had been deported to Mexico.

The person who posted the cash bond appeared on January 26th, and he indicated that the defendant was never released to him after he posted the bond, because he was picked up by ICE, and that he had no ability to get him back from Mexico.

The court reviewed several cases; two of which I have here, People versus Gonzalez and People versus Escalera, and those cases allow basically the bond to be returned.

The end result was the defendant has violated the Colorado law and successfully avoided a prison sentence. He's released to Mexico, and the posted cash bond was then returned to his family member.

In El Paso County, how this affects us on a daily basis is that we incarcerate an average of 90 to 95 inmates on a daily basis with immigration holds. Criminal offenses range from violent crimes to traffic charges; over 50 percent of these inmates have felony charges; 24 percent are drug-related and 24 percent of those are violent crimes.

The costs for housing and room and board only is what I'm talking about here, and basic—very basic—medical care averages about $35 per day per inmate for an annual price tag for El Paso County in excess of $1.2 million.

And depending upon the individual defendant, that could reach $1.9 million.

Approximately $100,000 of this is reimbursed, leaving the county and the taxpayers to assume the rest of the liability.

These costs are not inclusive and do not include on-going medical and dental treatment, transporting an inmate to and from court, court security, prosecution, court costs, or any other additional staff time and attention outside basic housing.

We are one of the largest detention facilities in the State of Colorado. There are 25 wards in that facility with 1,599 beds, and these particular inmates comprise—if you were to look at the numbers—

an entire ward, which requires around-the-clock security of a deputy, one deputy at least, and that amounts to about $600 per 24 hour period.

That doesn't include, again, medical expenses, intake and release processing, or any other additional expenses outside of basic housing.

With the increase in the population of the illegal immigration, specifically in El Paso County, additional law enforcement staff time is needed to address these problems before they are arrested and before there is incarceration, because this then, once they are incarcerated, creates a significant financial burden on the taxpayers.

Thank you, Senator.

[The prepared statement of Ms. Presley follows:]

Impact of Illegal Immigration on Local Law Enforcement Agencies

The increase of illegal immigration in the last few years carries a significant price tag that forces local law enforcement entities to assume. From the initial contact with the law enforcement officer on the street to the deputy working the ward in the detention facility the burden and costs are increasing.

Patrol deputies and officers contact these illegal immigrants and spend a considerable amount of time attempting to confirm identity and ascertain citizenship. Often this is only confirmed if and when the person is taken into custody and incarcerated. This process can be extremely time consuming as some of these individuals use a variety of aliases specifically if they have had previous incarcerations. If the person is not in custody and incarcerated, confirmation may not occur thus permitting the individual to live and work in communities across Colorado with illegal status.

If a person is taken into custody and incarcerated on state or federal charges, identity is more often than not confirmed through fingerprints. Immigration and Customs Enforcement (ICE) is notified if the person is foreign born so the process of citizenship can be confirmed or denied. ICE may place a hold on the individual however will not start deportation procedures until current criminal charges receive a disposition or the bond set for those charges is posted.

The posting of a bond and subsequent deportation raises a variety of concerns for law enforcement and victims in many cases. If the bond is posted and a hold is placed by ICE, the person will be transferred to ICE for potential deportation. Upon deportation, often the bond is recovered as statutorily permitted and the agent or family member suffers no financial loss. Often the charges are dismissed upon confirmation of deportation. An example of this is summarized as follows:

On June 9, 2005, defendant was arrested for Unlawful Distribution and Manufacturing of Schedule II with a $10,000.00 bond. On August 21, 2005, the defendant's bond was posted with a local bond agency.

On August 22, 2005, the defendant was released to an ICE Agent. On September 6, 2005, defendant was ordered to be deported and subsequently deported on September 8, 2005.

On November 28, 2005, the defendant's case was dismissed due to deportation. Unbeknownst to the courts, the defendant was back in country and committed a kidnapping and assault with a deadly weapon on November 25, 2005. The warrant was issued for his arrest December 19, 2005.

If the person elects voluntary deportation they may suffer no penalty for returning to the United States or for the previous criminal offenses if the charges have been dismissed. This could also occur as a result of a plea bargain. If there is an ordered deportation, then entry into country becomes a felony.

Additionally, if the bond is posted post conviction, pre sentence, the evasion of a sentence is possible. An example of this as summarized by a judge is as follows:

On November 21, 2005, Defendant pleaded guilty to Count 3, a class four felony possession of more than a gram of cocaine. The plea agreement called for a cap of four years prison. After the plea, Defendant asked the Court to reduce his bond, which was set in the amount of $25,000. The Court refused to reduce the bond. Sentencing was set for January 23, 2006.

On December 24, 2005, a cash bond was posted in the amount of $25,000.

A PSIR was done, recommending a prison sentence, based on the facts of the case, which included large amounts of drugs, large amounts of money and a firearm. But at the time the PSIR was prepared by the probation department, ICE had already removed the defendant to Aurora.

Defendant failed to appear on January 23, 2006 and a warrant was issued for his arrest. The People indicated the defendant had been deported to Mexico.

The person who posted the cash bond, Mr. Rodriguez, appeared on January 26, 2006. He indicated that Defendant was never released to him, and that he had no ability to get Defendant from Mexico. The Court reviewed People v. Gonzales, 745 P.2d 263 (Colo.App. 1987) and People v. Escalera, 121 P.3d 306 (Colo.App. 2005) and allowed the cash bond to be returned.

End result was Defendant has violated Colorado law and successfully avoided a prison sentence, he is released to Mexico and the posted cash bond was returned.

The El Paso County Sheriff's Office Detention Facility incarcerates an average of 90 to 95 inmates on a daily basis with immigration holds. Criminal offenses range from violent crimes to traffic charges. Over 50% of these inmates have felony charges; 24% are drug relates and 24% are violent crimes.

The cost for housing (room and board only) and basic medical care averages $35.00 per day per inmate for an annual price tag in excess of 1.2 million dollars and could reach 1.9 million dollars. Approximately $100,000 of this is reimbursed leaving the county and the taxpayers to assume this liability. These costs are not inclusive and do not include on going medical and dental treatment, transporting the inmate to and from court, court security, prosecution and court costs or any other additional staff time and attention outside the basic housing requirement.

The El Paso County Sheriff's Office Detention Facility is one of the largest county jails in the State of Colorado. There are twenty five wards with 1599 beds. The number of inmates housed with immigration holds in this facility comprise an entire ward requiring a minimum of one deputy around the clock for security and supervision. The salary alone to staff the ward with one deputy for a twenty four hour period is in excess of $600.00. Additional expenses include medical, intake and release staff.

With the increase in the population of illegal immigrants, additional law enforcement staff time is needed to proactively address these immigration issues prior to arrest and incarceration which then creates a significant financial burden on the taxpayers and the government.

Submitted by: Paula Presley, Commander CJC Operations, El Paso County Sheriff's Office
In Testimony: For U.S. Senate Field Hearing; August 30, 2006; Aurora Municipal Center

Now, I want to call on Mr. Ken Buck, who is the Weld County District Attorney. Welcome, Ken.

STATEMENT OF KENNETH R. BUCK, WELD COUNTY DISTRICT ATTORNEY

Mr. Buck. Thank you. I appreciate the opportunity to speak today on this very important issue, Senator.

I also want to thank you for your work and that of your colleagues in the Senate for including the amendment in the Homeland Security Appropriations bill which will fund the study on the need and cost of an ICE office in Greeley.

I note that earlier this week during one of the gubernatorial debates, both candidates endorsed this idea, and in fact, Bill Ritter talked about the frustration that a district attorney has by putting illegal immigrants who have committed felonies back on the streets of our community.

Illegal immigration affects our entire country on all levels, from the Federal to the State to the local. And as Weld County District Attorney, I not only see the problems illegal immigration brings to

our State every day, but also the high costs that our citizens are forced to pay.

The monetary burden that illegal immigration places on our law enforcement agencies, our court systems and our prison systems, rises each year.

The Weld County Sheriff's Department spent $1.6 million last year to house inmates out-of-county, because our jails have a 20 percent over-population rate.

According to the Sheriff's Department, 12 percent or more of the jail population was comprised of undocumented foreigners.

Only a small portion of the illegal immigrants that are in our jails are deported by the Immigration and Customs Enforcement Agency.

The cost of illegal immigration on our education system is one that we as a society will pay for years to come. It is no secret that our children, especially those in the Greeley-Evans School District Six, are facing numerous problems with the education system. The district was recently placed on the State watch list.

One such problem is, indeed, a language barrier. An average of 20 percent of district six children in kindergarten through sixth grade are monolingual, Spanish speaking only.

The danger this reality presents is simple: It puts more stress on the system, it is a true no-win situation.

Like many other rural counties, including Mesa County, my colleague from Mesa County, Weld County is facing a crisis with meth. Neighborhoods and towns are seeing the devastating effects of this drug, and the violent activities that surround it.

Ninety percent of the meth in Weld County comes through our southern border. This is a study that was done by the Weld County Drug Task Force.

If we leave that border open, we can expect to see this trend not only continue, but also increase.

In 2002, the Weld County Drug Task Force cleaned up 63 meth labs, and in 2005 only six meth labs, which is a strong indicator that the meth is coming from outside. And based on the type of meth, it is believed it's coming from Mexico.

The most devastating and unnecessary cost of illegal immigration is the loss of life. In May 2005, a wife lost her husband and a little girl lost her father. The true tragedy of their loss is that it could have been prevented.

Damien Campos, a Mexican immigrant, in this country illegally, had slipped through the justice system several times. When he was arrested in Weld County following a drunk driving accident which killed his passenger, Damien had numerous aliases and several false forms of identification.

Prior to the fatal accident, he had six drunk driving convictions, but wasn't tagged by immigration officials for deportation until after he killed Marcos Martinez.

Through the use of false documents and aliases, Damien slipped through the system, and consequently was free to drink and drive again and again.

The reality is that until ICE receives the resources and funding needed to do their job effectively, illegal immigrants who commit

serious crimes will fall through the cracks and people will continue to be at-risk.

We must close the border, Senator, and enforce the laws already in existence in this country regarding immigration, and we must make sure the agencies that are created to help control illegal immigration are provided with the resources they need to do their job well. That should be the only cost we are willing to pay to confront this problem.

Thank you.

[The prepared statement of Mr. Buck follows:]

Remarks of Weld County District Attorney Kenneth R. Buck
United States Committee
On The Budget
Field Hearing
August 30, 2006
(Mr. Buck may deviate from prepared remarks)

I appreciate the opportunity to speak today on this very important issue: an issue that affects all of us in one way or another. I also want to thank Senator Allard and his colleagues in the Senate for including the amendment in Homeland Security Appropriations bill which will fund a study on the need and cost of an ICE office in Greeley.

Illegal immigration affects our country on all levels, from the Federal to the State to the Local. As the District Attorney for Weld County, I not only see the problems illegal immigration brings to our state everyday but also the high costs that our citizens are forced to pay.

Money Lost
The monetary burden that illegal immigration places on our law enforcement agencies, our court systems and prison systems rises each year. The Weld County Sheriff's Department spent 1.6 million dollars last year to house inmates out of the county because our jails have a 20% over-population rate. According to the Sheriff's department, 12% of or more of the jail population was comprised of undocumented foreigners.

Education Lost
The cost of illegal immigration on our education system is one that we as a society will pay for years to come. It is no secret that our children, especially those in the Greeley/Evans District 6, are facing numerous problems with the education system. One such problem is indeed a language barrier. An average of 20% of District 6 children in kindergarten through sixth grade are monolingual – Spanish speaking only. The danger this reality presents is simple: it puts more stress on the system. It is a true no-win situation.

Futures Lost
Like many other rural counties across this country, Weld County is facing a crisis with Meth. Neighborhoods and towns are seeing the devastating effects of this drug and the illegal activities that surround it. Ninety-percent of the meth in Weld County comes through our southern border. If we leave that border open we can expect this trend to not only continue but also to increase.

Lives Lost
The most devastating and unnecessary cost of illegal immigration, however, is the loss of life. In May of 2005, a wife lost her husband and a little girl lost her father. The true tragedy of their loss is that it could have been prevented. Damian Campos, a Mexican immigrant in this country illegally, had slipped through the justice system several times.

When he was arrested in Weld County following a drunk-driving accident which killed his passenger, Damian had numerous aliases and several false forms of identification. Prior to the fatal accident, he had six previous drunken-driving convictions but wasn't tagged by immigration officials for deportation until after he killed Marcos Martinez. Through the use of false documents and aliases, Damian slipped through the system and consequently was free to drink and drive again and again The reality is that until ICE receives the resources and funding needed to do their jobs effectively, illegal immigrants who commit serious crimes will fall through the cracks and people will continue to be at risk.

The costs of illegal immigration are many. We have to ask ourselves, how much are we willing to pay? If we don't find a way to combat this problem, we will continue to pay for illegal immigration with our hard-earned dollars, our children's education, and even innocent lives. We must close the border and enforce the laws already in existence in this country regarding immigration. And we must make sure the agencies that are created to help control illegal immigration are provided with the resources they need to do their job well. That should be the only cost we are willing to pay to confront this problem.

Mr. Gagliardi?

STATEMENT OF TONY GAGLIARDI, COLORADO STATE DIRECTOR, NATIONAL FEDERATION OF INDEPENDENT BUSINESS

Mr. Gagliardi. Thank you, Senator. My name is Tony Gagliardi, and I'm the Colorado State Director for the National Federation of Independent Business.

On behalf of NFIB, I'd like to thank you for inviting small and independent business to the table to discuss this important issue.

NFIB is the State and Nation's leading small business advocacy group; a non-profit, non-partisan organization founded in 1943.

NFIB represents the consensus views of its 600,000 members in Washington and all 50 State capitals.

In Colorado, NFIB represents 12,000 members.

Before I get into my testimony, I'd like to just talk a little bit about the impact of small business.

Small business comprises 92 percent of the businesses in existence in the United States, and employs over half the work force.

Small business truly is the engine that drives this Nation's economy.

A survey of NFIB members from across the country by our research foundation regarding immigration issues, found that over 90 percent of small business owners see illegal immigration as a serious problem, but are divided on which solution best addresses the issue.

However, there is no doubt NFIB firmly believes that employers who knowingly hire illegal workers should be prosecuted to the fullest extent of the law.

Seventy percent of NFIB members surveyed ranked problems surrounding the immigration issues as very serious or serious, and 86 percent say it should have a very high or high priority for Congress and the Administration.

According to the small business owners surveyed, 47 percent said the single most important reason illegal immigration constitutes a problem is the cost of illegal immigrants to taxpayers and local government.

Other reasons receiving significant concern regarding immigration were national security and threat of terrorism, and job loss and depressed wages for Americans.

Illegal immigration has a negative effect on NFIB members, especially those in the construction and labor trades. Roofing and painting operations seem to generate the most complaints. Members report that they are at a severe disadvantage when employers knowingly use illegal workers and use a low wage standard for the purpose of contracting work at less than the standard rates.

This situation also has negative effects on Federal, State, and local governments in terms of underpayment of taxes or no payment of taxes. Services provided to illegal workers additionally add to the costs.

As individual States continue in attempts to address illegal immigration at the local level, the legal and legislative costs are underwritten by the legitimate taxpayer, and a large portion of these taxpayers are small business owners.

Increasing penalties for employers who knowingly hire illegal aliens was supported by 78 percent of the small business owners surveyed.

Small business owners would consider verification of an ID used by an employee to prove eligibility to work a moderate burden; however, the burden could be reduced by a workable and reliable verification authorization system that would certify document authenticity.

This avenue must be examined and the cost benefit must be seen.

On behalf of the 12,000 NFIB Colorado members, I sincerely appreciate the opportunity to appear before you, and welcome the membership of NFIB as a resource.

[The prepared statement of Mr. Gagliardi follows:]

August 30, 2006

United State Senator Wayne Allard
United States Capitol
Washington, D.C.

Re: Testimony regarding illegal immigration and the effects on small business and local governments.

Presented by: Tony Gagliardi
NFIB/Colorado State Director

Senator Allard and members of the committee, my name is Tony Gagliardi; I am the Colorado State Director for the National Federation of Independent Business. NFIB is the state and nation's leading small-business advocacy group. A nonprofit, non-partisan organization founded in 1943, NFIB represents the consensus views of its 600,000 members in Washington and all 50 state capitals. In Colorado, NFIB represents 12,000 members.

A survey of NFIB members from across the country by our Research Foundation regarding immigration issues found that over 90 percent of small-business owners see illegal immigration as a serious problem, but are divided on which solution best addresses the issue. However, there is no doubt NFIB firmly believes that employers who knowingly hire illegal workers should be prosecuted to the fullest extent of the law. Seventy percent of NFIB members surveyed rank problems surrounding the immigration issues as a "very serious" or "serious" problem, and 86 percent say it should have a "very high" or "high" priority for Congress and the administration.

According to the small-business owners surveyed, 47 percent said the single most important reason illegal immigration constitutes a problem is the cost of illegal immigrants to taxpayers and local governments. Other reasons receiving significant concern regarding immigration were national security and threat of terrorism and job loss/depressed wages for Americans.

Illegal immigration has a negative effect on NFIB members in the construction and labor trades. Roofing and painting operations tend to prompt the most complaints. Members report they are at a severe disadvantage when employers knowingly hire

illegal workers and use a low wage standard for the purpose of contracting work at less then standard rates. This situation also has negative effects on federal, state and local governments in terms of underpayment of taxes or no payment. Services provided to illegal workers additionally add to the cost.

As individual states continue to attempts to address illegal immigration at the local level, the legal and legislative costs are underwritten by the legitimate taxpayer.

Increasing penalties for employers who *knowingly* hire illegal aliens was supported by 78 percent of the small-business owners surveyed. Small-business owners would consider verification of an ID used by an employee to prove eligibility to work a moderate burden. However, the burden could be reduced by a workable and reliable verification/authorization system that would certify document authenticity. This avenue must be examined and the cost/benefit must be seen. On behalf of the 12,000 NFIB/Colorado members I sincerely appreciate the opportunity to appear before this committee and welcome the members to use NFIB as a resource of information. I am more than happy to answers any questions the committee might have.

Ms. Helen Krieble, President and Founder of the Vernon K. Krieble Foundation, you're next, Ms. Krieble.

STATEMENT OF HELEN KRIEBLE, PRESIDENT AND FOUNDER, THE VERNON K. KRIEBLE FOUNDATION

Ms. Krieble. Thank you very much, Senator. I request that my formal comments be entered into the record; they have been submitted.

Senator Allard. They are so ordered to do that.

Ms. Krieble. I also want to thank you. I noticed that our other Senator said that comments and commentary from people in Colorado could not possibly be important to discussions in Congress. I am very honored that you think otherwise, and thank you so much.

Senator Allard. You're welcome.

Ms. Krieble. The American people have said over and over again in polls that they want three things: They want border security, they want a sensible, workable, legal guest worker program, and they do not want amnesty.

I am a employer of guest workers. I understand the problems associated with that; it's very visceral for me.

There is no way for a worker from Mexico to get an H2B visa. H2B visas are applied for by employers, and then, if they are granted, you usually have rounded up some workers to receive them. But an individual cannot apply for those H2Bs.

The guesstimate is that in Colorado there is probably a need for 150,000 H2B entry-level worker visas. There are approximately 67,000 issued for the entire United States, and it costs at least $1,000 a worker, if you're a small employer, to go through the endless bureaucratic layers that it takes to actually acquire an H2B visa. Anywhere during that process you can be told that you have passed the quoto for a visa. There is no refund on all the money, and you cannot get a legal worker.

People such as me have a choice, if you are outside of that quota; of hiring illegals or closing the doors of your business and firing all of your U.S. citizen workers, because without entry level workers, you often can't run your business.

The estimate is that every entry level worker provides three and a half jobs for American citizens. If you were making a widget, and you can export your company to a country that does have entry level workers, you will. I'd love to see an analysis of the cost of that to the American economy which is not considered when they're talking about a guest worker program.

We have learned from many statistics that when a legal guest worker program that is efficient and workable is put in place, the number of people trying to cross the U.S. border illegally sinks.

In this case, the belief is that 85 to 90 percent of the people coming across our borders illegally are not a security threat. What they want is work.

I would like to say up front that we do not, in our policy, believe that a guest worker should be on the path to citizenship. Citizenship is very serious, it is a separate program, anybody in the world can apply for a green card or citizenship, go to the end of that line and go through the process. If you're a guest worker, you can do that. The Government doesn't need to give you permission to apply to be a U.S. citizen.

What the guest worker program is for, or the temporary worker program, is for is work, and I think that people who want to come here and work for jobs that are going begging, should be accommodated.

What we would like to offer to the debate on the Federal level, is a private sector market-oriented implementation of a guest worker program that will cost the Federal Government very little and reduce the number of people pouring across our borders illegally many of whom do not wish to be citizens, to 10 or 15 percent of the number we have now. This reduces the people who are coming across our borders illegally, to people who, one, don't want work, or two, are criminals. We need 100 percent security against those people.

They will no longer be camouflaged by good people who simply wish to work in the United States.

So, from there what we are saying is that a temporary worker program should be determined, the numbers, by the market itself.

The jobs that are going begging in the United States should be able to be posted, after they've been advertised to U.S. citizens at private American employment agencies, licensed by the Government and located outside of our borders. Workers, foreign workers, who wish to fill those jobs should be able to apply for them with no intermediary, at the employment agency.

Employment agencies are masters of matching jobs with workers. They would run the applicant through a security check like a gun shop does, and they would be licensed to issue smart cards, such as your MasterCard, which cannot be copied or cheated on in any way which you can use in the smallest little village in Turkey with great security.

We know how to issue smart cards. Those smart cards could have on it whatever the Government would like; foreign workers' picture, their fingerprints, the job they've taken, the agency that issued that job, how to reach the job, how to reach the agency when the card expires. A person goes then immediately to the job. It eliminates two terrible disincentives which are the layers of bureaucracy and the cost of going through all of those Federal and local bureaucracies, and the quota, which means you have a very big chance of not getting a guest worker visa anyway. Furthermore no private person can apply for them outside of our borders in the H2B category.

So, again, our program is private sector, market driven, at almost zero cost to the American taxpayer, because the costs of the smart card and the data base will be picked up by the employment agencies as a cost of doing business. They will be able to charge a fee to both the applicant employee and the applicant employer.

When this happens—remember this has nothing to do with citizenship—any guest worker who would like to be a citizen and have the benefits of a citizen and a green card worker, must go to the end of the immigration line.

But now, look at your security at the border. You are easily able to secure the border because you will only have 10 percent of the people now trying to cross and no person seeking just a legitimate job in the United States will be sneaking across the border unless they're criminals. So you don't need to beef up the border, you don't need billions of dollars for walls or thousands more Federal employees. The people and technology we already have at the border we'll then be able to deal with it, and in the interim of the transition, the National Guard is marvelous because they don't become permanent Federal employees and they can be returned home when they are no longer needed.

And finally, I would just like to comment on punishment. We are focused on punishing people, both people who wish to get a good job in the U.S., filling jobs that are going begging, and employers, when there is no legal path for either employers or potential employees to make a match. Becoming a criminal when you're going to close your business and starve your own family without entry level workers, and be punished for it when you can't get a legal worker, is not right.

So, I hope that with economics at the heart of this, you will see that our plan requires very little extra money, and I hope Congress will look very carefully before it leaps head long into what I con-

sider to be an abyss of another massive buildup of Federal bureaucracy and a massive buildup of Federal expenditure that is required by both the House bill and the Senate bill. It isn't necessary and it won't solve the problem.

And so in our program, the market determines the numbers of guest workers; no job, no guest worker. Understand that. Only if there's a job going begging does a guest worker get the visa. Private business implements it, and the border can be credibly secured at very little expense.

I hope that you will have faith in the American people who deal with these problems day-by-day as business people and in the workers who would like to come and work in our country, and that you will give this plan a careful review, as it deserves. Thank you.

[The prepared statement of Ms. Krieble follows:]

Testimony of Helen E. Krieble
Founder and President, Vernon K. Krieble Foundation

Senate Budget Committee
Aurora, Colorado
August 30, 2006

Senator Allard, thank you for taking time to chair this hearing here in Colorado to focus on the costs to our economy of illegal aliens. Colorado is exactly the right place to listen and learn about these rapidly increasing costs. I was mortified by our other Senator's statement criticizing this hearing, in which his spokesman said it "doesn't seem likely that hearing from Coloradans would help Congress resolve the issue." In fact, Colorado is the fastest growing state in the nation in the number of illegal aliens, and local governments across our state are dealing with it, spending a fortune on it, and rapidly becoming experts in the issue. Congress ought to be listening, and we commend you for doing so. Thank you for understanding that the best ideas for change come from the heartland, not from Washington.

If Congress listens to the people who deal with this issue every day, it will know that the American public wants our national borders secured, that people are tired of their tax dollars subsidizing illegal activity, and that they expect our government to keep track of foreigners living and working in the U.S. But the understanding of most Americans goes much deeper than just that. We know that the overwhelming majority of the American people understand the importance of the labor force our economy depends upon. They are not racists, that they do not object to safe, legal, and methodical immigration policies, and they support allowing temporary workers to come here to perform services important to us.

This issue is polarized far beyond what is necessary or logical. Most national leaders seem absolutely determined to be on one side or the other – some want only to shut down the border and send in the Marines, and others seem determined to allow illegals to stay in the U.S. and become citizens. Both sides are missing a very clear opportunity to solve a serious national problem. The fact is that a huge majority of the people illegally crossing our borders are not a threat to our national security, and are only coming here to work and earn money they cannot hope to earn at home. Even more important to this debate, many of them have no desire to become American citizens. If they were to be removed from the border through an orderly and legal temporary work system, then controlling the border would be easier and cheaper, not more expensive!

The economics of this issue are at the heart of today's hearing, and I hope Congress will look very carefully before it leaps headlong into the abyss of another massive buildup of federal bureaucracy. It isn't necessary, and it won't solve the problem.

You have seen recent Congressional Budget Office (CBO) estimates of the cost of the Senate amnesty bill. The estimate of a $126 Billion price tag is conservative because it does not include the most significant cost of the current illegal activity. Estimates vary, but it is clear that the current system costs our economy in excess of $45 Billion a year in public subsidies to illegal aliens. Most of that cost is borne by state and local governments, especially in public education, health care, and corrections. If these workers were here legally, those numbers could easily be reversed. Far from being a drain on our system, those workers would be *taxpayers*, contributing not only to our economy, but to the government's coffers, too.

A few leaders in Washington have figured out there is a way to control the border AND provide the legal workforce our economy needs. The Hutchison-Pence bill is especially noteworthy because it does not begin with an assumption of amnesty – it forces illegals to leave the U.S. and apply for admission into a legal and orderly process that includes background checks, smart cards, and the linking of specific workers to specific jobs. Where it differs from so many other approaches to the temporary work program is that it is based on a private-sector approach that would actually work.

Look specifically at the economics of other proposals you have considered. The Senate bill would require adding over 30,000 new federal employees – the biggest increase in federal bureaucracy in years. Other plans also involve building hundreds of miles of fence, at a cost of over $3 Billion. That is 2,000-year-old technology and it didn't work for China, either. Without a dramatic change in the economic incentives that motivate illegal border crossings, no wall will alter the law of supply and demand. That means providing employers with a legal system that works. It means providing the workers with a quick and easy way to get a permit. It means assuring the American people that these workers are working and paying taxes, that their employers are paying required benefits. It means drying up the market for illegal labor.

This can only be done by changing the economics, for both employers and employees. Under the current system we provide two very powerful disincentives for these workers to come out of the shadows. First, the bureaucratic system in place today simply cannot process their applications in a reasonable amount of time. Second, the artificial limit on the number of visas means most workers simply cannot get legal work permits. We know that Colorado alone has a need for over 200,000 such workers, or they wouldn't be here. Yet in the most common category for temporary low-skilled workers the Congress allows only 67,000 visas for the entire country. I know from my own experience that means those visas are snapped up by the bigger companies, it creates a black market that was never intended, and small farms and other businesses simply cannot get the legal workforce they need.

The Hutchison-Pence plan would reverse those incentives. Based largely on a plan we wrote at the Vernon K. Krieble Foundation, it would outsource this function to private sector employment agencies that are expert at putting jobs and workers together. The profit motive would ensure a quick turnaround, so workers would be able to get the secured permits they need after a required instant background check. Employers would

be able to post jobs with employment agencies, and get the legal workers they need inexpensively and quickly. Then, severe penalties for hiring illegals would effectively dry up the illegal labor market. And 85-90% of the people currently crossing the borders illegally would have no further reason to do so. Controlling the borders would be far less complicated and far less expensive if only a fraction of these people were still there. It could be done with a technological wall, already being talked about in Congress, and few if any additional federal employees.

Best of all under such a system, the private sector would pay for almost all of it. User fees would pay for the background checks, the issuance of the smart cards, the posting of jobs, and the tracking of workers. User fees charged by the government – paid by employers – would pay for maintenance of the government database, and for the government's role in running criminal background checks. This would work in much the same way that gun shops now perform background checks under the Brady Bill, for a fee that would pay the government's cost. The details of this proposal are available on our foundation's web site at www.krieble.org.

It is important to understand that a guest worker is not an immigrant. There should be no cross-over from a temporary worker program to a citizenship line. Any person, anywhere in the world, is free to apply for U.S. citizenship, but they must go to the end of the citizenship line, and proceed exactly the same way as every other person. Gaining a priority place in the citizenship line by entering the country illegally is unacceptable. Citizenship should have no relationship to the reason a temporary worker comes to our country. What is being granted is only the legal right to work. Period.

Senators, there simply is no need to build up a huge new bureaucracy and add huge new appropriations to the budget to solve the temporary worker/border security problem in our country. The technology already exists to make smart cards that cannot be duplicated, and there are employment companies all over America willing and able to make employer/employee matches outside our borders. 100% border security would be realistic if the flow was reduced to 10% of what it is today, without adding agents or equipment expenditures. This solution does not require $126 Billion new federal dollars, it does not require 30,000 new federal employees. The market determines the number of guest workers, private businesses implement the program, and the border can be credibly secured. Please have faith in the American people, and give this plan the careful review it deserves.

Now we'll go into a period of questions, and for you, Mr. Mayor, both you and the Governor mentioned something to the effect, and I just want to verify this with you, that there are many programs that you deal with, say, that you only provide to citizens, but yet Federal law prevents you from asking the question directly to them whether they're a citizen or not. Is that correct?

Mr. Tauer. To the best of my knowledge, yes, Senator. I think the best example that we've talked about is the schools. It makes sense, as the Governor pointed out, to have a program where we educate children, and that's an undeniable good thing.

But in this case, the bottom line is that local communities are footing the bill for our leaking Federal border and our school districts are not allowed to let people in or keep them out, and they're not even allowed to ask "are you or are you not here legally." And I think that's the best example.

There are other programs that the counties administer, as well. We don't have that many programs in the city that are actually social-type programs, but our partners tell us about quite a few of those.

So, yes, Senator, that's true.

Senator ALLARD. What is the proper role of cities in addressing the problems associated with illegal immigration, in your view?

Mr. Tauer. Well, Senator, I know that you get asked loaded questions from time to time, so it's probably only fitting that you get to ask one in return.

You know, I think that that's something that we need to work out together. I don't think that it's a great idea for us to say, "this is the role."

I think that we do need to be partners, and let me give you an example, and it goes along with what Ms. Presley was saying a while ago.

We recently had a case where we apprehended a criminal. As you've been told many times, ICE has very limited resources.

Because that criminal was a repeat felony offender, we were able to work with ICE and get them deported. That criminal was re-arrested in Colorado committing a crime less than 4 weeks later.

So, I think that we do need to carry our share, which is to work with the immigration authorities when we encounter illegal immigrants, especially and particularly those that are a public safety threat.

But we also need the Federal Government to have a working system that lets us address those, so I think that the key is we need to be a partner, but I don't know that our resources are well spent until we have an answer at the Federal level.

I'd love to say that we can answer it, but the truth is neither the State of Colorado nor any of our local communities, I believe, can effectively be using our resources until we also have that Federal answer.

Senator Allard. You quoted a number of figures, for example, I think you quoted $5 million every year out of your law enforcement budget. I don't know whether you have that figure available—what the total figure is, but it would be interesting if we could get a percentage of the total law enforcement budget or $5 million out of what size budget that happens to be.

Mr. Tauer. That's about 5 percent of our budget, Senator, and that includes all public safety, which includes courts as well as fire.

We believe that's a very, very conservative number, and so we erred on the side of being conservative. I think that you could make arguments that would estimate that that number would go up by 50 percent.

Again, the difficulty is that if, for example, if we give somebody a traffic ticket, we can suspect that they're here illegally, but the ability to determine concretely if they're here illegally is just simply absent.

And so we have to make estimates on some of those things and, in this case, we estimated about 5 percent, which is consistent with what the Census Bureau says is the percentage of Colorado's population that is here illegally.

Senator Allard. Now, education here in the Aurora area is $25 million cost you think to illegal immigrants, is that correct?

Mr. Tauer. Illegal immigrants and children of illegal immigrants, and we believe that's very conservative.

Senator Allard. What percentage of the costs on that are we looking at?

Mr. Tauer. You mean the total school district costs?

Senator Allard. Yes.

Mr. Tauer. I can have that to your office by tomorrow morning.

Senator Allard. If you can share that, it would be helpful.

Mr. Tauer. We used that on—we determined that on the basis of 25 percent of the English as a second language students in our two school districts.

Senator Allard. I see.

Mr. Tauer. And our best information from talking to others around the State is that that's consistent across the State of Colorado.

Senator Allard. OK. And then on health care, you used the figure $10 million. And what percentage of the budget is that, or what's the total, if you know?

Mr. Tauer. Senator, that came from our two hospitals, and I'd be happy to get that for you, as well.

Senator Allard. That would be helpful if you could.

Mr. Tauer. Yes, sir.

Senator Allard. Thank you. Ms. Presley, I think you stated 90 to 95 illegal aliens a day are housed in your holding facility, is that correct?

Ms. Presley. That's correct, Senator.

Senator Allard. And if you know that a person is here illegally, present in the United States, what's getting in the way of them being deported from your holding facility?

Ms. Presley. Often the local charges or the State charges that they're here on. They are initially arrested, certainly, on some type of crime, and you know, if they're able to post a bond, then of course they can deport quicker. But if they are not, then of course, the process is a little bit more lengthy as far as prosecuting them for that particular crime.

So that's really what's holding them there is they either post a bond and then deportation can begin, or their local crime or their State crime, there has to be a disposition on it prior to deportation.

Senator Allard. Has the immigration service been responsive when you've notified them, when you run into illegal immigrants?

Ms. Presley. Yes, Senator. In our jurisdiction they are very responsive. To give you an idea, we actually have an agent in our facility almost on a daily basis, because we're housing so many illegal immigrants there.

So, in any given week, probably four out of the 5-days, we have an agent that has been to our facility at some point during the day dealing with that population.

Senator Allard. Mr. Rubinstein, you've talked about the methamphetamine problem that you're having there in Mesa County, and do you agree with the testimony from Mr. Buck, who has stated that he believes that nearly all the methamphetamine is coming in from outside our borders and a good percentage of that is meth labs on the other side of the Mexican-American border?

Mr. Rubinstein. I do, Senator. The number that was given by Mr. Buck was that it was 90 percent was coming from the southwest border. The most recent numbers I had gotten from the Drug En-

forcement Administration was that it was 80 percent from Mexican drug organizations, but part of that number was drug organizations operating inside the United States in the southwest region of the country.

So I'm not sure if Mr. Buck's testimony was that it was in the southwest border outside of our country. I certainly don't dispute his numbers. The numbers I've received from the Drug Enforcement Administration, I think, were conservative; both what I'm hearing from DEA and from Mr. Buck are consistent with the information we're getting.

One thing I can tell you is that we do not seize enough labs. We have a pretty good community of businessmen who report to us about pseudoephedrine sales. There is no way the methamphetamine that we're seizing is being manufactured in Mesa County. It's being manufactured in super labs.

The labs that we're finding are manufacturing no more than an ounce. Super labs in Mexico can manufacture up to 100 pounds a day, so the ability to bring in pseudoephedrine into Mexico and manufacture there is much easier than it is, thanks to Federal and State legislation.

Senator Allard. I had a physics professor that said to analyze a problem sometimes you must carry it to extremes. Let's suppose that we could put in place a policy that stopped all illegal immigration. Just for hypothetical purposes, what do you think would happen with your methamphetamine supplies in Mesa County?

Mr. Rubinstein. I can give you a similar example. When we took down the wire tap and arrested the 44 people, we saw a slight increase in attempts to manufacture locally. The price also went up.

So what occurs as a result of—and when you say stopping illegal immigration, I think it's really from our perspective, from a law enforcement perspective, securing the border from the drugs coming across is really somewhat of a separate issue than the immigration side of it.

There is certainly immigration issues that come into play with jail overcrowding, but securing the border and stopping the methamphetamine from coming across, I think that would do a large part in drying up the supply long enough for us to do the other things that our task force is charged with doing; that is, prevention and treatment and trying to get those who are currently addicted off the drug, and those who are high risk, keep them from using.

Senator Allard. Mr. Gagliardi, what tools do businesses need to verify that the people they hire are legally in this country? I've been a small businessman myself, and we've heard previous testimony that, you know, you use a birth certificate and that's easily forgeable.

Use a driver's license, and Colorado has a driver's license that's difficult to forge, but many States it's not that difficult. Or you use Social Security numbers. Two of those three is what you use as a businessman to verify that they are here legally.

What other tools do small business people need to make sure that their new hires are legally in this country?

Mr. GAGLIARDI. Senator, when it comes to verification of employment documents, and currently small business owners, as you well know, complete the I–9 comprised of three columns. You either use

one out of column A or one out of column B and one out of column C, and usually—and you are absolutely right. It usually comes down to the driver's license and the birth certificate.

My members I've spoken with, once again, would consider—I have had members tell me they have used the on-line verification, and have not been able to get through, that it has not worked for them.

Senator Allard. This is on-line verification provided by Social Security?

Mr. Gagliardi. Yes.

Senator Allard. Is that correct?

Mr. Gagliardi. Yes, sir.

Senator Allard. Are they put on hold, or what?

Mr. Gagliardi. They just can't access it.

Senator Allard. I see.

Mr. Gagliardi. They just can't access it, that's why our stand at NFIB is if we are going to use a verification system, and it's going to be available to business, it needs to be reliable and it needs to be working at the pleasure of the employer. We're the ones who have to take the responsibility for making sure we are hiring illegal workers—or hiring legal workers.

Senator Allard. Very good. Ms. Krieble, I find your plan very fascinating, and that's the Pence Plan, I believe.

Ms. Krieble. I would say about 80 percent of what I believe should happen is in the Pence-Hutchison Plan.

Senator Allard. When people review what you've said, the question that comes up is how do you assure them that worker that you bring here into this country is going to go back to the country from whence they came? In other words, are you sure that they're truly going to be temporary workers in this country?

Ms. Krieble. Sir, if it was regularly and easily possible to hire verifiable legal workers with a smart card that anybody can swipe so that there's no process except that (we know the technology is there) and we know it can be done efficiently and inexpensively, if there was a regular supply of people who would fill your jobs that are a guaranteed legal, and there was a penalty for hiring an illegal, why would you hire an illegal person?

I've never yet met an employer who really wants to hire illegals, so not only would these people find that they cannot get a job if they do not have a legal guest worker permit, the new people who are coming in, but the illegals already here would find that the market for illegals in the job market would dry up and they would have to find a way outside the borders of the country, make an appointment so it's a 2-hour visit, get a smart card, run through national security. If you've never committed a crime, you can be back to a job with a letter from your employer that you're employed.

So, there is no human incentive or advantage to be an illegal anymore.

Senator Allard. I agree with you that the technology is there, that we can probably use a smart card. The printing office for the Government has put together a visa that has biometrics on it and a lot of the things that you talked about that you can't—that's specific to the individual that gets that visa.

I guess it's going to require some technology to use that card, to get that information. Do you think a businessman would have that technology if they came in to work for him, a job where he could run that through a system or something and get that verified?

Ms. Krieble. We have already proved that the technology is there.

Senator Allard. Yes, that's my point.

Ms. Krieble. And that you can—that a card can be created that can do these things.

Senator Allard. Yes.

Ms. Krieble. It is absolutely non-duplicatable, in which anybody can get a swiping machine, like we have—most businesses have for MasterCards——

Senator Allard. Sure.

Ms. Krieble.—and other things. It would be just that easy.

Senator Allard. That cost to the business, though, I mean, I've been a businessman, you know, you look at those costs.

Ms. Krieble. But that cost would be the same as running MasterCards, and the advantages would be enormous and you're on the right side of the law.

Senator Allard. Well I hope you're right on the cost. But that is one issue that's brought up, I agree we have the technology and your point that you're making is that if we have fines that are steep enough on the employer, why would they hire anybody unless they can verify it, and if they have a smart card, and it's going to work because nobody is going to bother to hire that illegal person, and he has no choice but to return back to the country from which he came.

Ms. Krieble. Enforcement is very, very important to make this system work. But once again, I go back to the fact that if you make it impossible for people to be legal, you really shouldn't punish them if they go to the illegal side.

Make it easy and efficient through the private sector to be legal, and then you will solve your problem.

Senator Allard. Now, your plan is different from the immigration bill that we passed in the Senate.

Ms. Krieble. Yes, sir.

Senator Allard. And the fact that what we have in the Senate, passed out of Senate, actually has amnesty, because it leads to citizenship, but your plan does not have amnesty, is that correct?

Ms. Krieble. There should be no citizenship track from a guest worker program. We have a citizenship track. The Declaration of the United States says that all people—the Declaration of Independence, are created equal under the law.

To take a large body of people who have broken our laws and giving them a jump up against all decent individuals in the immigration line, is not right. They are perfectly welcome to apply at any time, but they go through the same process in the same way in the immigration line.

Senator Allard. We've run out of time. And I want to thank this panel for their testimony.

I want to thank the audience for their courteousness and complying with our Senate rules while you listened to the testimony here this afternoon.

I would ask the panel to respond to any questions that may come from the Committee, within 10 days, if you would, please. If there's some followup questions, we would very much appreciate that because it would get us the information in time for it to be considered during our deliberations here in September.

Thank you for your testimony, and with that, there's one other thing that I need to do and that is I need to enter into the record the Bell Policy Center Study, which my staff picked up at a meeting last night.

And this, the reason we're entering it in the record, has a lot of figures in it dealing with the budget, and I think it's important that it be a part of the record.

And with that, we will declare the Budget Committee adjourned.

[Whereupon, at 4:40 p.m., the Committee was adjourned.]

ANSWERS TO QUESTIONS SUBMITTED

Responses to Questions for the Record from Senator Allard Regarding Testimony by Paul Cullinan, Chief, Human Resources Cost Estimates Unit, Congressional Budget Office, Before the Committee on the Budget, August 30, 2006

1a. Under S. 2611, all of the estimated 12 million illegal immigrants in the United States will become eligible for citizenship. What government benefits are illegal immigrants eligible to receive?

Undocumented immigrants are not eligible for most major federal benefit programs. However, a few programs provide benefits to individuals regardless of their immigration status, provided that they meet certain income and other requirements. Those programs include emergency Medicaid; the National School Lunch Program; the School Breakfast Program; the special supplemental nutrition program for women, infants, and children (WIC); and other federal food assistance and short-term disaster relief programs. (In addition, all taxpayers, regardless of their immigration status, are eligible to receive refundable tax credits if they qualify for them.)

1b. What additional benefits would the current illegal immigrant population become eligible to receive upon being granted citizenship? What is the cost per-beneficiary for each of these benefits for the most recent fiscal year?

Citizenship is not a requirement for most federal benefit programs. Under the Personal Responsibility and Work Opportunity Reconcilation Act of 1996, immigrants who are "qualified aliens"-refugees, asylees, or legal permanent residents (LPRs)-are eligible to receive benefits. Most LPRs are also subject to a five-year waiting period before they can receive benefits. In addition, they must meet a program's income and other requirements.

Undocumented immigrants who attained LPR status under S. 2611 would become eligible for several major federal benefit programs, whose eligibility requirements and benefit levels are described below. Those individuals would also become eligible for a number of other benefit programs (for example, Temporary Assistance for Needy Families, Social Services Block Grants, and child care assistance), but those new participants would have little impact on spending for those programs over the 2007-2016 period because the programs have fixed funding, place more restrictions on the eligibility of noncitizens, or are not expected to see a significant increase in spending until after 2016.

Some programs that provide benefits are funded through annual appropriations (including housing assistance, Head Start, and WIC); however, S. 2611 would not directly affect the funding for those activities. In all cases, noncitizens must meet each program's income and other requirements.

Medicaid. Immigrants who have been qualified aliens for at least five years are eligible for full Medicaid benefits in most states. In 2007, the federal share of Medicaid costs for those newly qualifying for Medicaid under S. 2611 would be about $1,400 for a child, $1,900 for an adult male, and $3,900 for an adult female, the Congressional Budget Office (CBO) estimates. Those figures reflect the fact that immigrants are more likely to live in states with federal matching rates that are lower than the national average of 57 percent.

Social Security and Medicare. New immigrants who became eligible to collect Social Security benefits under S. 2611 would get about $500 per month in 2007, in CBO's estimation. That amount is much lower than the average benefit for native-born citizens or long-established immigrants because the new immigrants would have fewer years of covered employment in the United States. Those new Medicare beneficiaries would increase spending in that program, net of premiums, by an average of about $8,100 per person in 2007, CBO estimates.

Food Stamps. Adult LPRs are eligible for food stamps after a five-year waiting period; LPRs under the age of 18 are eligible immediately. On the basis of Food Stamp quality control data, CBO estimates that the average Food Stamp benefit for noncitizens who currently participate in the program is about three-quarters of the average benefit for all recipients. For noncitizens who were new participants in the program under S. 2611, the average benefit, CBO estimates, would be $850 in 2007.

Supplemental Security Income. Because of the restrictions on benefits for noncitizens in the Supplemental Security Income (SSI) program, very few new adult beneficiaries could participate in the program over the next decade under S. 2611. Immigrants who had arrived in the United States after 1996 could not qualify for benefits until they had naturalized or earned 40 quarters (10 years) of work credit and spent five years as an LPR. A tiny fraction of citizen-children born to immigrants admitted to this country under S. 2611 would qualify for SSI as a result of birth defects or other severe disabilities. Those children would receive about $500 a month, CBO estimates, a sum similar to benefits for other disabled children who already participate in the program.

2. *The estimated direct spending costs of the Senate passed act are about $5 billion less than the introduced version. CBO's August 18, 2006, cost estimate attributes this reduction in part to reducing the number of guest workers and reallocating 2/3 of the diversity visas to advanced degree immigrants. How do those changes in the bill result in reduced federal spending?*

   Refundable tax credits are the source of the largest change in the bill's estimated costs. The difference of $5.2 billion in the estimates of direct spending for the bill as introduced and the bill as passed by the Senate is almost entirely accounted for by the $4.9 billion change in the estimated cost of those credits. That estimate was provided by the Joint Committee on Taxation (JCT), and CBO has no detailed information about why it changed. The reduction in the number of guest workers in the Senate-passed act probably affected JCT's estimate because guest workers, as taxpayers, are often eligible for refundable credits. However, other technical factors may have contributed to the difference. For the direct-spending effects that CBO estimated, the reduced number of guest workers lowered costs by $0.8 billion over the 2007–2016 period. The bill's changes to the diversity visas, which were not reflected in the previous estimates, reduced outlays by $0.6 billion over the same period.

3. *The Department of Homeland Security estimates that almost a half million people enter this country illegally each year. How does your cost estimate of S. 2611 account for the future flow of illegal immigrants?*

   For its estimates, CBO assumed that the current annual inflow of workers who enter the country illegally (including those who overstay a legal visa) is about 500,000 people. Other family members account for an additional 400,000 entrants per year. The direct effects of S. 2611, primarily through the guest worker program, were estimated to reduce that illegal flow by about 50,000 workers each year. The bill's border enforcement and workplace compliance provisions could further reduce illegal immigration, but those effects would result from activities that would be funded through future appropriations and therefore are not reflected in CBO's estimates of direct spending under the bill. If S. 2611 became law, workers who come to this country illegally in the future would receive the same benefits and pay the same taxes as they would under current law.

4. *The House bill also addressed the issue of immigration and passed a border security bill, H.R. 4437. How much would enacting the House immigration bill cost taxpayers in the next five years versus S. 2611? Explain any difference in the type of spending between the two bills.*

S. 2611 would have a much larger direct impact on the federal budget than would H.R. 4437 because it would affect many more immigrants. (CBO has not prepared a cost estimate for the House-passed bill.) The increase in mandatory spending under S. 2611 would total an estimated $16 billion over the next five years and $48 billion over the 2007–2016 period; the House bill, in contrast, would result in modest reductions in mandatory spending. The Senate bill would increase the immigrant population significantly, whereas the House bill would reduce the number of immigrants by eliminating the diversity visa program. The Senate legislation (once a drafting error was corrected) would increase revenues by an estimated $4.5 billion over five years and $44 billion over 10 years. The revenue effects of the House bill would be smaller and in the other direction—the bill would decrease revenues by several billion dollars (the effects of eliminating the diversity visa program).

If fully funded, the authorizations of appropriations in the Senate-passed version of S. 2611 would cost about $33 billion over the 2007–2011 period. The increased authorizations in the House-passed bill, if funded in annual appropriations, would boost outlays by a smaller amount over the five-year period. (The costs of the House bill would be significantly higher than the $1.9 billion estimated for the bill reported by the Committee on the Judiciary, largely because amendments on the House floor added a substantial amount of border fencing.)

Estimated costs for the authorizations in the Senate legislation are higher because S. 2611 contains several provisions that H.R. 4437 either lacks or provides less funding for, including additional personnel for federal agencies, additional detention facilities, and new air- and watercraft for the Border Patrol.

5. *It is estimated that there are 12 million illegal immigrants living in the United States. This population is not distributed evenly among the states. In what ways could states with higher per-capita illegal immigrant populations bear a greater share of the costs associated with illegal immigration and S. 2611?*

About two-thirds of the illegal immigrants in this country live in eight states, and most of those two-thirds are clustered in four of them—California, Texas, Florida, and New York. Although unauthorized immigrants are prohibited from receiving

most benefits provided by the federal government, state and local governments are generally required (by state constitutions, federal requirements, or court rulings) to provide services to those individuals. State and local governments currently incur significant costs to provide such services; recent research suggests that those costs total as much as several billion dollars annually. However, the magnitude of the net adverse impact on state and local budgets—after considering the taxes paid by this population—is uncertain.

According to state and local governments, the three areas most affected by unauthorized immigrants are elementary and secondary education, emergency health care, and law enforcement. Those services and programs are provided to residents of a state regardless of their immigration status. For example, children receive free education simply by residing in a state, and eligibility for emergency health care is a function of a person's income level and insurance status. CBO expects that those governments will continue to incur most of those costs regardless of whether currently unauthorized immigrants are granted legal status. Thus, enactment of S. 2611 would probably not add significantly to the costs incurred by states and localities in which unauthorized immigrants currently reside.

Responses to Questions for the Record from Senator Sessions Regarding Testimony by Paul Cullinan, Chief, Human Resources Cost Estimates Unit, Congressional Budget Office, Before the Committee on the Budget, August 30, 2006

1. *CBO has estimated that S. 2611 will increase direct spending by $48.4 billion between 2007 and 2016. Will the increases in direct spending be greater between 2017 and 2026? What are the estimated increases in those years and what are the causes of those increases?*

The Congressional Budget Office (CBO) and the Joint Committee on Taxation project federal spending and revenues under current law for the next 10 years; therefore, in general, they do not estimate the budgetary effects of legislation beyond that period. It is clear, however, that the direct-spending effects of S. 2611, if enacted, would be substantially larger during the 2017–2026 period than during the next 10 years.

Several factors would account for the increased spending. For most federal benefit programs, immigrants are not eligible for benefits until five years after they receive legal permanent resident (LPR) status. Under S. 2611, most illegal immigrants would have to work for six years before they could receive LPR status; consequently, they would not be eligible for most benefits until 2017 or 2018 at the earliest. Participants in the guest worker program could receive benefits no earlier than 2017—because those workers (in general) could not apply for LPR status until they had been in the United States at least four years and the program would not begin until 2008.

Costs would build over time for other reasons as well. First, inflation and other factors would increase the average benefit in the various programs. Second, the new population would grow as the new immigrants had additional children born in the United States and brought additional members of their immediate family into the country. Third, if the new immigrants chose to become citizens, they could bring their parents to join them in this country. For the two groups described above, this so-called chain migration would not begin until the second 10 years after the legislation was enacted.

2. *In the August 18, 2006, CBO cost estimate, CBO said it believes that 71,000 parents would obtain green cards by 2016 if S. 2611 becomes law. If most beneficiaries under the bill would not obtain citizenship until more than 10 years after enactment, how many parents would receive green cards between 2017 and 2026 if S. 2611 becomes law?*

   CBO estimates that if S. 2611 was enacted, an additional 600,000 parents (relative to current law) would obtain green cards by 2026.

3. *What is the current per capita rate of welfare costs in the United States? What is the estimated per capita rate of welfare costs if S. 2611 is enacted? If there is a difference? If so, what is the reason for the difference?*

   There is no uniformly accepted definition of "welfare costs." One approach is to consider costs for means-tested programs, which are targeted toward people with low income. The average costs per participant in the various means-tested benefit programs for which CBO estimated direct spending under the legislation are displayed below. (Other programs could be affected as well, but because their funding is either capped or provided through discretionary appropriations, no additional mandatory spending would be recorded for those programs. For example, the Temporary Assistance for Needy Families program is a fixed amount granted to states.)

Program	Annual Costs per Beneficiary in 2007
Medicaid (Full)	Adult female—$3,900; adult male—$1,900; child—$1,400
Medicaid (Emergency)	Adult female—$2,000; adult male—$1,000; child—$500
Food Stamps	$850
Supplemental Security Income	$6,000
Child Nutrition	$270

   Because of the programs' limitations on benefits for immigrants, the effects of S. 2611 on the costs of those programs over the next decade would be modest. For example, costs in the Medicaid, Food Stamp, and child nutrition programs would rise by less than 2 percent in 2016, CBO estimates. In subsequent years, as more immigrants became eligible for benefits (and sometimes for higher benefits), their rates of participation in the program would be comparable, CBO expects, to those

of other foreign-born U.S. residents with similar characteristics (for example, educational attainment, family status, earnings potential, and country of origin). Thus, the increase in costs for these means-tested programs in the longer term would be greater than in the first 10 years.

4. *If (as CBO stated in its August 18, 2006, cost estimate of S. 2611) new immigrants use more in federal benefits programs, is the per capita rate of welfare cost likely to increase or remain the same if S. 2611 becomes law?*

S. 2611 would affect many different groups of immigrants. The undocumented immigrant and guest worker categories would probably comprise individuals whose characteristics—specifically, educational attainment and earnings potential—are associated with higher-than-average participation in benefit programs. In contrast, the additional immigrants who are awarded employment-based visas might be less likely to participate. Over the 10-year budget window, the current-law limitations on providing benefits to recent immigrants would keep benefit payments and services at much lower levels than would be expected for those groups once they became eligible for full benefits.

5. *Evidence clearly shows that the rate of fraudulent applications filed by aliens seeking amnesty under the 1986 IRCA exceeded 50% of the total applications filed. What rate of fraud did CBO use to calculate how many aliens are likely to obtain green cards as a result of fraud if S. 2611 becomes law?*

A great deal of uncertainty surrounds the number of undocumented immigrants who would come forward under S. 2611 and the types of documents they would use to prove their eligibility for legal status. For its estimates, CBO assumed that two-thirds of undocumented immigrants who remained here five years or more would successfully apply for legalization. That rate is slightly higher than the estimated legalization rate for nonagricultural workers under the Immigration Reform and Control Act of 1986 (IRCA). To the extent that the IRCA rate embodies some fraudulent applications, CBO's estimates will reflect a similar assumption. CBO also added about 200,000 individuals to its estimates of those who receive Deferred Mandatory Departure status to reflect fraudulent behavior.

A larger adjustment was made in CBO's estimates for the blue-card program, reflecting the experience under IRCA in which many more agricultural workers were able to get legal permanent resident status than had been anticipated. CBO, in

its estimate for S. 2611 as passed by the Senate, projected that 300,000 individuals who would receive blue cards would not actually be eligible. (The 1.5 million cap on blue-card participants would set an upper bound on fraudulent applications.)