STATEMENT OF

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BEFORE THE

SENATE COMMITTEE ON VETERANS' AFFAIRS

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Mr. Chairman and members of the Committee, good morning. I am pleased to be here today to provide the Department of Veterans Affairs' (VA) views on pending benefits legislation. I will not be able to address a few of the bills on today's agenda because VA received them in insufficient time to coordinate the Administration's position and cost estimates, but we will provide that information in writing for the record.

Post-9/11 Veterans Education Assistance Act of 2008

The draft proposal by Senator Webb entitled the "Post-9/11 Veterans Educational Assistance Act of 2008" (a revised version of S. 22, designated as ARM08A37, as received on May 1, 2008), would establish a new educational assistance program under title 38, United States Code, in a new chapter 33. The program would consist of three payment types: (1) a lump sum payment to help defray tuition costs; (2) a monthly housing allowance; and (3) an annual stipend to help defray costs of books and supplies. The benefit is intended for individuals with active-duty service on or after September 11, 2001.

With the Nation at war, we must carefully assess the sufficiency of all our programs to meet the needs of today's veterans. In his State of the Union address, the President advocated an important enhancement of the Montgomery GI Bill, the transferability of entitlement from servicemembers to their spouses and children. This Administration priority, which has been submitted to Congress as draft legislation, would benefit those members committed to a career in service. It is an initiative our senior uniformed leaders enthusiastically support and one that supports the current makeup and retention of the all-volunteer force.

Evaluation of any further program enhancements must take into account all foreseeable consequences, intended and unintended. Secretary of Defense Gates has notified Armed Service Committee Chairman Levin of the critical elements needed in our education programs to strengthen the all-volunteer force. He indicated that negative retention effects may begin when the value of the monthly education benefit exceeds about $1,500. For that reason, and because of other concerns stated in my testimony, we are unable to support this bill.

At its highest benefit level, this draft bill would provide the amount of tuition and fees for the individual's program of education, not to exceed the maximum amount of tuition and fees charged for in-state students at the state's highest-cost public institution in the state in which the student is enrolled. This benefit would be paid directly to the school. As discussed below, in certain instances where the benefit level does not cover the cost of tuition, VA and the educational institution could agree to cover the unmet expense.

In addition to tuition and fees, the program would pay an annual stipend of up to $1,000 for the cost of books and supplies. This benefit would be payable in the first month of each enrollment period. The bill would also provide a monthly housing stipend of up to an amount equal to the basic allowance for housing (BAH) payable by the Department of Defense (DoD) (under 37 U.S.C. § 403) to an E-5 with dependents in the region of the institution where the student is enrolled for individuals pursuing training at half-time or more.

For active-duty service of less than 36 months, a percentage of the maximum tuition payment, housing stipend, and books and supplies stipend would be paid, ranging from 40 percent for at least 90 days of service, to 90 percent for at least 30 months but less than 36 months of service. For those with less than 18 months of active-duty service, total creditable active-duty service would not include months of basic training or skill training.

The program would provide 36 months of entitlement that must be used during the 15 years following release from the latest period of qualifying active duty service of 90 days or more. All programs approved for benefits offered by an institution of higher learning (IHL) under the Montgomery GI Bill—Active Duty would be approved for the purposes of payment of benefits under chapter 33. However, other than for individuals who have entitlement to educational assistance under the Montgomery GI Bill—Active Duty (MGIB—AD, aka chapter 30), Montgomery GI Bill—Selected Reserve (MGIB-SR, aka chapter 1606), or the Reserve Educational Assistance Program (REAP, aka chapter 1607), there are no provisions in chapter 33 to pay for non-degree courses offered by other

than IHLs; correspondences courses; or on-the-job, apprenticeship, or flight training.

An individual entering active duty after enactment of this bill would be required to elect MGIB-AD and incur the $1200 pay reduction if he or she wanted to pursue training offered by institutions or establishments that are not IHLs. Those individuals would also be able to transfer to chapter 33 at a later date. Individuals who decline MGIB-AD and become entitled under chapter 33 would only be able to pursue training at an IHL. This requires that individuals decide what type of program they wish to pursue prior to making an election for which program to credit their active-duty service.

Individuals who receive a college loan repayment incentive from DoD, participate in the Senior ROTC scholarship program, or are cadets at service academies could become eligible under chapter 33. However, they could not use the period of service they were obligated to serve in connection with one of the aforementioned programs to gain chapter 33 eligibility. Those individuals currently eligible for MGIB—AD, MGIB—SR, or the REAP could make an irrevocable election to receive benefits under chapter 33.

MGIB-AD individuals electing to receive benefits under chapter 33 may receive a refund of the $1200 pay reduction they made to participate in MGIB-AD. If an individual used benefits under MGIB-AD, the refund would be prorated. Refunds would be payable as an addition to the last housing stipend payable before the individual exhausts his or her entitlement. In addition, an individual entitled to a “kicker” under MGIB-AD or MGIB-SR would be allowed to transfer

the “kicker” to chapter 33. Such “kickers” would be paid in addition to the monthly housing stipend.

New chapter 33 would also establish the “Yellow Ribbon G.I. Education Enhancement Program.” Under the “Yellow Ribbon” provisions, if the benefit level would not cover the cost of tuition, VA and the educational institution could agree to cover the unmet expense. VA would be limited to matching 50 percent of the unmet costs. This benefit would be available only to individuals with 36 months of post-September 10, 2001, service or those discharged from active duty because of service-connected disability.

Section 3323 of proposed chapter 33 would require VA and DoD jointly to prescribe regulations indicating the manner in which servicemembers would be notified of the benefits, limitations, procedures, eligibility requirements, and other aspects of chapter 33, and when the notification would occur.

In addition to establishing the new benefit program, this draft bill would provide for a temporary increase in rates payable under MGIB-AD. During the period August 1, 2008, through September 30, 2009, the 3-year MGIB-AD rate would be increased to $1,321, and the 2-year rate would be increased to $1,073. There would be no cost-of-living adjustment (COLA) for FY 2009. Beginning with FY 2010, the COLA formula for rates payable under MGIB-AD would change. VA would no longer use the Consumer Price Index-W figure to determine COLAs. Instead, VA would base the increase on figures from the National Center for Education Statistics. The amount of the increase would be based on

the percentage of change in the average cost of undergraduate tuition for the previous 2 academic years.

We estimate that enactment of this draft bill would result in benefit costs of $171.7 million during FY 2008, $17.6 billion for 5 years, and $64.90 billion over 10 years. In addition, the implementation of the program would also entail administrative costs of $74.9 million during the first year and $289 million over 10 years.

We have the following concerns about how the provisions of this draft bill would affect the implementation of proposed new chapter 33:

- The new education program would become effective on August 1, 2009. VA does not now have a payment system or the appropriate number of trained personnel to administer the program. We estimate it would take approximately 24 months to deploy a new payment system. The Information Technology (IT) solution should include the capability to exchange data with DoD, determine eligibility, automatically generate letters, streamline or automate payment calculations, perform accounting functions, and authorize the release of all payments. In the interim, VA would be forced to manually process such payments. The amendments made by the draft bill do not contain provisions to fund VA for the significant additional general operating and information technology expenses required to administer this program.
- Tuition payments would be made in a lump-sum payment before the enrollment period begins. If a student does not attend or withdraws from

the program of education, large overpayments would result. In addition, it is not clear from the bill whether the student would be eligible for any portion of the benefits disbursed if he or she were to withdraw from all or some classes. Payments should be made after enrollment is confirmed similar to payments made under Title IV, the Higher Education Act of 1965.

- Individuals transferring from MGIB-AD who used entitlement under MGIB-AD would only be eligible for an amount of chapter 33 entitlement equal to the amount of entitlement they have remaining under MGIB-AD. Individuals eligible under REAP or MGIB-SR would not be subject to the limitation.
- The bill's "Yellow Ribbon" provisions would require VA to enter into a memorandum of understanding (MOU) with each participating educational institution. Entering into numerous MOUs with proprietary institutions would be a significant administrative burden. In addition, the institutions would not be required to offer assistance under this program to all individuals. Therefore, this provision would not be equitable to all eligible individuals.
- We are concerned about the housing stipend with respect to distance education. Housing stipends would be based on BAH rates where the school is located, not the student's residence. This could prompt some students to enroll in online learning programs at schools with the highest BAH rate.

S. 961

S. 961, the "Belated Thank You to the Merchant Mariners of World War II Act of 2007," would provide a monthly benefit to certain individuals, or their surviving spouses, who served in the United States merchant marine (including the Army Transport Service and the Naval Transport Service) during World War II.

I would like to recognize the sacrifices made by members of the United States Merchant Marine Service (Merchant Mariners) during World War II and note that we currently treat these individuals as veterans by virtue of their service.

Currently, title 46 of the United States Code provides for the payment of burial benefits and interment in national cemeteries for certain former Merchant Mariners. S. 961 would amend title 46 to require VA to pay to certain Merchant Mariners the sum of $1,000 per month, tax exempt. This new benefit would be available to otherwise qualified Merchant Mariners who served between December 7, 1941, and December 31, 1946, and who received honorable-service certificates. The surviving spouse of an eligible Merchant Mariner would be eligible to receive the same monthly payment provided that he or she had been married to the Merchant Mariner for at least one year prior to the Merchant Mariner's death. S. 961 differs from other similar bills introduced for this purpose in that it provides retroactive eligibility to the date of enactment of this bill, rather than eligibility based on receipt of a certificate of honorable service or receipt of a claim for a benefit.

VA does not support enactment of this bill for several reasons. First, to the extent that S. 961 is intended to offer belated compensation to Merchant Mariners for their service during World War II, many Merchant Mariners and their survivors are already eligible for veterans' benefits based on such service. Pursuant to authority granted by section 401 of the "GI Bill Improvement Act of 1977," Pub. L. No. 95-202, the Secretary of Defense has certified Merchant Mariner service in the oceangoing service between December 7, 1941, and August 15, 1945, as active military service for VA benefit purposes. As a result, these Merchant Mariners are eligible for the same benefits as other veterans of active service. This bill appears to contemplate concurrent eligibility with benefits Merchant Mariners may already be receiving from VA, a special privilege that is not available to other veterans. Further, to the extent that Merchant Mariners may be distinguished from other veterans due to the belated recognition of their service, there are myriad other groups, listed at 38 C.F.R. § 3.7(x), that could claim to have been similarly disadvantaged.

Second, there can be no doubt that Merchant Mariners were exposed to many of the same rigors and risks of service as those confronted by members of the Navy and the Coast Guard during World War II. However, the universal nature of the benefit S. 961 would provide for individuals with qualifying service and the amount of the benefit that would be payable are difficult to reconcile with the benefits VA currently pays to other veterans. S. 961 would create what is essentially a service pension for a particular class of individuals based on no eligibility requirement other than a valid certificate of qualifying service from the

Secretary of Transportation or the Secretary of Defense. Further, this bill would authorize the payment of a greater benefit to a Merchant Mariner, simply based on qualifying service, than a veteran currently receives for a service-connected disability rated as 60-percent disabling. Because the same amount would be paid to surviving spouses under this bill, there would be a similar disparity in favor of this benefit compared to the basic rate of dependency and indemnity compensation for surviving spouses as provided under chapter 13 of title 38.

VA estimates that enactment of S. 961 would result in costs of $202,540,000 for FY 2009 and $1,140,511,000 over ten years.

S. 1718

S.1718, the "Veterans Education Tuition Support Act," would amend the Servicemembers Civil Relief Act to provide servicemembers reimbursement of tuition for programs of education interrupted by military service, deferment of student loans, and reduced interest rates for servicemembers during periods of military service. Because that Act is implemented by DoD, we defer to that department regarding the merits of S. 1718.

S. 2090

S. 2090 would require the U.S. Court of Appeals for Veterans Claims (Veterans Court) to adopt rules to protect the privacy and security of documents retained by, or electronically filed with, the court. It would require the rules to be consistent with other Federal courts' rules and to take into consideration the best practices in Federal and state courts to protect private information.

This bill would extend the Veterans Court's existing authority and anticipates the upcoming conversion from paper filing to electronic filing. The court's current Rules of Practice and Procedure provide several tools to safeguard sensitive information. For example, Rule 11(c)(2) permits the Veterans Court, on its own initiative or on motion of a party, to "take appropriate action to prevent disclosure of confidential information." Rule 48 permits the Veterans Court to seal the Record on Appeal in appropriate cases. Rule 6 provides: "Because the Court records are public records, parties will refrain from putting the appellant's or petitioner's VA claims file number on motions, briefs, and responses (but not the Notice of Appeal (see Rule 3(c)(1))); use of the Court's docket number is sufficient identification. In addition, parties should redact the appellant's or petitioner's VA claims file number from documents submitted to the Court in connection with motions, briefs, and responses." This rule prevents the public from easily accessing a veteran's Social Security number. VA supports efforts to protect Social Security numbers.

The Secretary supports enactment of S. 2090 because the importance of safeguarding sensitive information in a veteran's files cannot be overemphasized. The proposal is logical given the impending conversion from paper filing to electronic filing, particularly in this distressing era of internet data mining and identity theft.

S. 2091

S. 2091 would expand the number of active judges sitting on the Veterans Court from seven to nine. We have witnessed the progress that the Veterans

Court has made in reducing its inventory of cases through temporary recall of retired judges. Under the current system, we believe the Court can effectively manage its projected caseload within the funds requested in the FY 2009 President's Budget.

S. 2138

S. 2138, the "Department of Veterans Affairs Reorganization Act of 2007," is a VA proposal that would increase from seven to eight the number of Assistant Secretaries and from 19 to 27 the number of Deputy Assistant Secretaries VA is permitted to have. It would also repeal the requirement in current law that VA have a Director of Construction and Facilities Management.

These changes would allow the Secretary to establish within VA the position of Assistant Secretary for Acquisition, Logistics, and Construction to serve as VA's Chief Acquisition Officer. Each federal agency is required to have four Chief Officers: a Chief Financial Officer (CFO), a Chief Information Officer, a Chief Human Capital Officer, and a Chief Acquisition Officer (CAO). Currently, VA's Assistant Secretary for Management serves as both VA's CFO and CAO.

VA proposed this bill for several reasons. First, the creation of a CAO position within VA would comply with the Services Acquisition Reform Act of 2003 (SARA). SARA requires that the head of each agency appoint a non-career employee as CAO whose official primary duty is acquisition management for the agency.

Second, the acquisition, logistics, and program management career fields have become so technically complex and specialized that these critical functions

must be an official's primary duty and not an ancillary or collateral duty, as it has been for the Assistant Secretary for Management at VA. In fact, the Government Accountability Office (GAO) has identified a number of "cautions" in acquisition and has flagged as a serious weakness situations where "there is no CAO, or the officer has other significant responsibilities and may not have management of acquisition as his or her primary responsibility." VA's Inspector General has also identified two of the five major management challenges facing VA as "Financial Management" and "Procurement Practices." Establishing an Assistant Secretary for Acquisition, Logistics, and Construction will improve the span of control of the Assistant Secretaries by designating one of them to serve principally as VA's CFO and another to serve principally as VA's CAO.

Third, VA's acquisition, supply chain logistics, and program management involve billions of dollars of expenditures and thousands of VA personnel each year and are critical to VA's continued success. In FY 2006, VA spent over $10.3 billion acquiring goods and services, over a quarter of VA's total discretionary budget. Many of the goods and services VA acquires are critical tools VA's professionals need to serve veterans. For example, in FY 2006, VA procured $737 million in medical and surgical supplies, $3.5 billion in pharmaceuticals, and $1.1 billion in prosthetic devices. An Assistant Secretary with focused responsibility for acquisition, logistics, and construction would help ensure that consistent and sound decisions are made in these critical functions and ensure that they receive the visibility they need at VA.

Fourth, in 2006 the Secretary re-organized the construction function at VA. VA established the Office of Construction & Facilities Management as the lead construction, facilities, and real estate organization at VA. This office provides advice to senior officials on VA's capital facilities programs, major construction programs, construction and design standards, and leasing and real property management. To continue reform in this area, the Secretary would assign this new office as the other major functional areas under the new Assistant Secretary. Assigning construction and facility maintenance to the same Assistant Secretary makes sense because VA carries out much of its construction and facility maintenance by acquiring services.

The Secretary would use two of the new Deputy Assistant Secretary positions in support of the new Office of Acquisition, Logistics, and Construction, five in the Office of Information and Technology, and one in the Office of Management.

S. 2139

S. 2139, the "National Guard and Reserve Educational Benefits Fairness Act of 2007," would provide entitlement to educational assistance under the Montgomery GI Bill (MGIB) for members of the National Guard and Selected Reserve who, on or after September 11, 2001, serve at least 20 months of continuous active duty, not less than 12 months of which must have been in a theater of operations (as designated by DoD). Individuals electing to receive benefits under this new provision would earn 36 months of eligibility and would be required to contribute $1,200 to participate in the program.

Under current law, members of the Selected Reserve are eligible for chapter 30 MGIB benefits if they serve an obligated period of at least 2 continuous years of active duty in the Armed Forces after June 30, 1985, followed by 4 years of service in the Selected Reserves. Unlike these reservists, the new eligibility category created by S. 2139 would not require the reservist to serve at least 4 years in the Selected Reserves after completing the active duty requirement to receive the full benefit payment. However, 20 months of continuous active-duty service would qualify a reservist for full benefits if he or she is discharged or released from active duty for "convenience of the government." Such reservists are currently entitled to a full-time monthly educational assistance rate of $1,101.

In addition, an individual currently may establish MGIB eligibility under 38 U.S.C. § 3011 with an active-duty obligation of less than 3 years. Such an individual is currently entitled to a full-time monthly educational assistance rate of $894. Once again, 20 months of continuous active duty would qualify the individual for full benefits as long as the obligation to serve was for at least 24 months and the discharge was "for the convenience of the government."

DoD must collect $1,200 from reservists who establish eligibility under 38 U.S.C. § 3011 or § 3012 no later than 1 year after completion of the 2 years of active duty service providing the basis for MGIB entitlement.

Selected Reservists who are ordered to active duty are potentially eligible for educational assistance under the chapter 1607 Reserve Educational Assistance Program (REAP), established under title10. The monthly rate for

REAP is determined by the length of active-duty service. Service thresholds are 90 days, 1 year, and 2 years. The full-time monthly rates for the service thresholds are currently $440.40, $660.60, and $880.80, respectively.

This bill would add another eligibility category to the 15 existing MGIB eligibility categories separately distinguished by VA under title 38. Further, this legislation overlaps existing eligibility to education benefits provided by title 10, chapter 1607, although it provides a greater benefit.

Many members of the target population, reservists who have served 20 months of continuous active duty, will have previously received chapter 1606 or 1607 benefits. As currently written, S. 2139 would provide for retroactive credit for active duty service with payments made effective date of enactment. Section 16163(d) of title 10, United States Code, provides that an individual may not use the same period of service to gain eligibility under both chapter 1607 of title 10 and chapter 30 of title 38. Because some reservists will have previously elected to receive chapter 1607 benefits in lieu of chapter 30 benefits, it is not clear whether the reservists who received chapter 1607 benefits could subsequently elect benefits under the provisions of this bill. If the intent is to permit these individuals an opportunity to elect benefits under the new provision, it is not clear how VA is to address payments that were made under chapter 1607 prior to such election. Reservists who are barred from using the same period of service to gain eligibility and choose to credit their service under chapter 30 would then not be entitled under chapter 1607 and thus would have been paid benefits to which they are not entitled. A number of claims will have to

be re-worked by VA personnel because benefits will need to be terminated under chapter 1607 and benefits for the new program reissued.

VA does not support this bill as drafted for the following reasons.

S. 2139 is not equitable in comparison to other VA benefits. It provides for the maximum full-time rate of $1,101 per month and 36 months of entitlement for 20 months of continuous service, with no obligation for continued military service. By comparison, under the MGIB, a full 2 years of service in the regular active duty forces (regardless of operational theater) would pay a veteran only $894 per month without an additional 4-year commitment in the Selected Reserves.

S. 2139 fails to consider veterans discharged for reasons of disability. There are no provisions in the bill for a veteran to receive a lesser entitlement should the veteran be discharged prior to 20 months of continuous service for such reasons. Removing the thresholds for having an obligated period of service also removes criteria with which to judge and award benefits for service that falls short of that required for eligibility.

Further, this bill would place a significant administrative burden on VA. Nearly every veteran currently receiving benefits under REAP or chapter 30 (2-year rate), who would fulfill the requirements under this bill, would be required to have his or her claim re-adjudicated, and benefits payments switched to this program.

Finally, S. 2139 would base eligibility for the educational assistance it provides on certain theaters of operation in which an individual served on active

duty. Historically, VA education benefits have not been based on such criteria, and we believe it inappropriate to do so now.

We regret we are unable to provide an estimate of the cost associated with the enactment of this bill at this time.

S. 2309

S. 2309, the "Compensation for Combat Veterans Act," would amend 38 U.S.C. § 1154(b) to require VA to treat certain veterans as having engaged in combat with the enemy for purposes of section 1154(b), thus permitting the use of lay or other evidence for proof of service connection of a combat-related disease or injury. The veterans who would qualify for this treatment are veterans who, during active service with a U.S. military, naval, or air organization during a period of war, campaign, or expedition, served in a combat zone for purposes of section 112(c)(2) of the Internal Revenue Code of 1986, or a predecessor provision of law. In essence, this bill would equate service in a combat zone with engaging in combat with the enemy. VA does not support this bill.

Section 112(c)(2) of the Internal Revenue Code of 1986 defines "combat zone" as any area that the President by executive order designates as an area in which U.S. Armed Forces are engaging or have engaged in combat. Section 112 governs the computation of gross income for tax reporting purposes based upon service and applies to all veterans who serve in a combat zone regardless of actual involvement in combat. The executive order designates which geographical areas are combat zones and the date of commencement of combat activities.

Section 1154(b) of title 38, United States Code, relaxes the evidentiary requirements a combat veteran must meet to prove service incurrence or aggravation. The language of section 1154(b) makes it clear that its purpose is to liberalize the method of proof allowed for claims based on injuries incurred or aggravated while engaged in combat with the enemy. This provision recognizes the unique circumstances of combat, which are not favorable for documentation of injury or illness because treatment for such injury or illness may be administered in the field under exigent conditions that do not permit concurrent documentation. Supporting evidence is often difficult to obtain when such a combat veteran later files a claim for service-connected compensation. This bill contemplates that all veterans in a combat zone are challenged with the same circumstance in documenting treatment for injury or illness in the field. Such circumstance does not exist for service members who, although serving in a combat zone, have access to a medical facility for treatment and whose treatment would be documented in service treatment records. The purpose of section 1154(b) was to recognize the unique circumstance of actual combat.

Additionally, the proposed expansion of the phrase “engaged in combat with the enemy” to include veterans who serve in a general combat area or combat zone but did not themselves engage in combat with the enemy would mean that a determination as to the circumstances consistent with combat could be extended to include all of the common experiences that happen while serving in a combat zone. In the absence of clear and convincing evidence, lay or other

evidence could be used to establish service connection for any disease or injury alleged to have been incurred or aggravated during service in a combat zone.

VA cannot estimate benefit costs based upon the potential application of the amendment because there are no data to evaluate the numbers of claims for service connection filed by veterans who served in a combat zone to which this amendment would be applied.

S. 2471

S. 2471, the "USERRA Enforcement Improvement Act of 2007," would make several changes to the enforcement of the Uniformed Services Employment and Reemployment Rights Act. Because that Act is implemented by the Department of Labor, we defer to that department regarding the merits of S. 2471.

S. 2550

S. 2550, as proposed to be amended, the "Combat Veterans Debt Elimination Act of 2008," would authorize VA to refrain from collecting all or part of a debt owed to the United States under any program administered by VA (other than a housing or small business program under chapter 37 of title 38, United States Code) by a service member or veteran who dies as a result of an injury incurred or aggravated in the line of duty while serving in a theater of combat operations in a war or in combat against a hostile force during a period of hostilities after September 11, 2001, if the Secretary determines that termination of collection is in the best interest of the United States.

In response to the Committee Chairman's request, we provided VA's views on this bill, as introduced, in a letter dated February 13, 2008. In that letter, we raised certain concerns and suggested revisions. The bill, as proposed to be amended, appears to address VA's concerns. Accordingly, VA supports S. 2550, as proposed to be amended.

We estimate that enactment of this bill would result in additional benefits cost of $5,000 for FY 2009, and a 10-year cost of $50,000. In determining the costs, VA used the amount of debt of 21 fallen service members. In relative terms, the total amount of accumulated debt over almost 4 years of collecting the information is so small, and the pattern of that accumulation so sporadic, that we would have little expectation of a material increase in the amount of benefit indebtedness.

S. 2617

S. 2617, the "Veterans' Compensation Cost-of-Living Adjustment Act of 2008," would authorize a cost-of-living adjustment (COLA) in the rates of disability compensation and dependency and indemnity compensation (DIC). This bill would direct the Secretary of Veterans Affairs to increase administratively the rates of compensation for service-disabled veterans and of DIC for the survivors of veterans whose deaths are service related, effective December 1, 2008. Consistent with the President's FY 2009 budget request, the rate of increase would be the same as the COLA that will be provided under current law to Social Security recipients, which is currently estimated to be 2.5 percent. We believe this COLA is necessary and appropriate to protect the

benefits of affected veterans and their survivors from the eroding effects of inflation. These worthy beneficiaries deserve no less.

We estimate that enactment of this bill would cost $687.2 million during FY 2009, $4.2 billion over the 5-year period FY 2009 through FY 2013, and $9.2 billion over the 10-year period FY 2009 through FY 2018. However, the cost is already assumed in the budget baseline, and, therefore, enactment of this provision would not result in any additional cost.

S. 2674

S. 2674, the "America's Wounded Warriors Act," would implement the recommendation of the President's Commission on Care for America's Returning Wounded Warriors ("Dole-Shalala Commission") to “Completely Restructure the Disability and Compensation Systems.”

VA defers to DoD with regard to title I of S. 2674, which would amend chapter 61 of title 10, United States Code, to create an alternative disability retirement system for certain servicemembers.

Title II would completely restructure the VA disability compensation program. Section 201 would require VA to conduct a study to determine the amount of compensation to be paid for each rating of disability assignable to veterans for service-connected disabilities. It would require VA to ensure that its determinations reflect current concepts of medicine and disability and take into account loss of quality of life and average loss of earning capacity resulting from specific injuries. In conducting the study, VA could take into account the findings, determinations, and results of any completed or on-going study or report that is

applicable. Section 201 also would require VA to submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report that would include VA's findings under the required study, as well as VA's findings with respect to matters covered by the study arising from the report of the Veterans' Disability Benefits Commission (VDBC) and the reports of such other independent advisory commissions that have studied the same matters. The report would be due to the Committees not later than 270 days after commencement of the required study.

Section 202 of the bill would require VA to conduct a study to determine the appropriate amounts and duration of transition payments to veterans who are participating in a rehabilitation program under chapter 31 or chapter 17 of title 38, United States Code. In conducting the study, VA could take into account the findings, determinations, and results of any completed or on-going study or report that is applicable. Section 202 also would require VA to submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report that would include VA's findings under the required study, as well as VA's findings with respect to matters covered by the study arising from the report of the VDBC and the reports of such other independent advisory commissions that have studied the same matters. The report would be due to the Committees not later than 270 days after commencement of the required study.

These two sections are similar to section 201 of the Administration's proposal to implement the report of the Dole-Shalala Commission. VA supports efforts to improve procedures for disability retirement of service members, to

enhance authorities for the rating and compensation of service-connected disabilities, and to develop procedures to encourage completion of vocational rehabilitation plans under chapter 31. However, we do not believe that enactment of these sections is necessary in light of actions already undertaken by VA to study the same matters as these sections would require. In February 2008, VA entered into a contract with Economic Systems, Inc., of Falls Church, Virginia, to study the appropriate levels of compensation necessary to compensate veterans for loss of earning capacity and loss of quality of life caused by service-related disabilities and the nature and feasibility of making long-term transition payments to veterans separated from the Armed Forces due to disability while such individuals are undergoing rehabilitation under chapter 31 or chapter 17. These studies are expected to be completed by August of this year. We will provide the Committees with copies of these studies.

Section 203 of S. 2674 would require VA to conduct a study to identify factors that may preclude veterans from completing their vocational rehabilitation plans and actions VA may take to assist and encourage veterans in overcoming such factors. The study would examine: (1) measures used in other disability systems to encourage completion of vocational rehabilitation plans; (2) any survey data available to VA that relate to matters covered by the study; (3) the results of the studies required by sections 201 and 202 of this bill; (4) the report of the VDBC; and (5) the report of the Dole-Shalala Commission. The study would also consider the extent to which bonus payments or other incentives may be used to encourage completion of vocational rehabilitation plans under

chapter 31 and such other matters VA considers appropriate. Not later than 270 days after commencement of the study, VA would be required to submit to the Committees on Veterans' Affairs a report including the findings of the study and any appropriate recommendations and proposals for legislative or administrative action needed to implement the recommendations.

There is no similar provision in the Administration's proposal. However, the Administration's proposal would authorize the payment of bonuses as an incentive to completing a vocational rehabilitation program. Thus, S. 2674 would further the same objective as the Administration's proposal. In addition, we believe that the study conducted by Economic Systems, Inc., which is already in progress, is consistent with the intent of this section.

Section 204 of the bill would require VA, not later than one year after the later of the dates of the reports required by sections 201(f) and 202(e)[1] of the bill, to submit to Congress a proposal including a statement of purpose of the disability compensation and transition payments that would be required pursuant to enactment of section 207 of the bill, a statement of the amounts of compensation for service-connected disability that would be required pursuant to enactment of that section, and a statement of the amounts and duration of transition benefits to be payable pursuant to enactment of section 207 of this bill to veterans participating in a rehabilitation program under chapter 31 or chapter 17 of title 38. The rates, amounts, and duration of these benefits would

[1] The bill itself incorrectly references section 202(d).

be exempt from judicial review. We do not support enactment of this section; we prefer the Administration's proposal.

The new compensation system would apply to veterans who have a disability rated as service connected under chapter 11 of title 38, United States Code on the effective date of the new chapter 12 compensation system, and who file a claim with respect to such disability or another disability on or after that date, as well as to veterans who do *not* have a disability rated as service connected under chapter 11 of title 38, United States Code on the effective date of the new chapter 12 compensation system, and who file a claim with respect to disability on or after that date. The disability rating for claims filed under chapter 12 would have to take into account all service-connected disabilities. The new chapter 12 compensation system would become effective, if at all, at most 85 days after VA submitted to Congress its proposal as to amounts of compensation and amounts and duration of transition benefits that are payable under the system. An award or increase of compensation with regard to a compensation claim filed during the 3-year period beginning on the effective date of implementation of the new VA compensation system could be retroactive for 3 years from the date of application or administrative determination of entitlement, whichever is earlier.

The new VA compensation system would also include transition payments to cover living expenses for disabled veterans and their families, consisting of either 3 months of base pay if the veterans are returning to their community following retirement and not participating in further rehabilitation or longer-term

payments to cover family living expenses if they are participating in further rehabilitation under chapter 31 or chapter 17. VA would also have authority to make transition payments to eligible veterans who are retired or separated under the alternate DoD system.

Section 208 of S. 2674 would also add a new chapter 14 to title 38, United States Code, which would permit a veteran retired under the new DoD system and entitled to compensation under new chapter 12 to elect a 6.5-percent reduction in the entire amount of compensation to provide a supplemental survivor benefit for a surviving spouse or child(ren). A survivor would be entitled to 55 percent of the veteran's total compensation payable at the time of the veteran's death. Also under section 208, if a veteran elects to provide a survivor benefit to the veteran's child(ren) rather than spouse, VA would have to notify the veteran's spouse of the veteran's election.

VA has the following concerns regarding title II of S. 2674.

Currently, 2.7 million veterans are in receipt of VA disability compensation under chapter 11 of title 38, United States Code. By simply filing a compensation claim when or after chapter 12 goes into effect, all of these veterans would become eligible for compensation under chapter 12, and all of their service-connected disabilities would have to be rerated under the rating schedule applicable to chapter 12. Our initial review of new chapter 12 indicates that benefits under the new VA compensation system would be far more favorable than benefits under current chapter 11. As a result, VA could be overwhelmed

with claims by veterans seeking to have their service-connected disabilities compensated under new chapter 12.

VA would be required to submit to Congress its proposals regarding amounts of disability compensation and the amounts and duration of transition benefits not later than one year after submitting the later of its reports on compensation and transition benefits. VA would have 270 days from commencement of each study to report to Congressional committees on the study results. VA would have to wait for completion of the compensation study before drafting a rating schedule. As a result, VA would have approximately 15 months to draft a rating schedule compensating for loss of earnings and quality of life, propose it through notice-and-comment rulemaking, consider comments received, and issue a final rule. This is insufficient time considering the scope and complexity of the rating schedule.

The requirement that the Secretary of Veterans Affairs propose the amounts of disability compensation and the amounts and duration of transition benefits is insufficiently prescriptive for VA to formulate a proposal that will achieve the statutory objectives. The bill should provide more specific guidance in this regard. The legislature must give specific guidance to executive agencies when authorizing them to establish entitlement programs administratively. In addition, if S. 2674 were enacted and later challenged on constitutional grounds, the provision purporting to exempt the rates, amounts, and duration of these benefits from judicial review may be unavailing because Federal courts generally will interpret statutory provisions to avoid the serious constitutional questions that

would arise if a statute were construed to deny any judicial forum for a colorable constitutional claim.

Although it would require VA to study actions VA could take to help and encourage veterans to overcome impediments to completing their vocational rehabilitation plans, S. 2674 would not authorize an achievement bonus payable upon completion of certain milestones of a chapter 31 vocational rehabilitation program. We believe that such payments are necessary to serve as incentives to encourage veterans to remain in the VA vocational rehabilitation program and complete their vocational rehabilitation objectives.

S. 2674 would authorize a survivor benefit that would be based upon a percentage of a veteran's compensation for loss of quality of life as well as earnings loss. Compensation for the effect of a disability on the veteran's quality of life would be similar to damages for pain and suffering awarded to an injured person in a tort lawsuit. Compensation for a veteran's survivors under title 38, United States Code, on the other hand, is intended to replace the economic loss to the veteran's survivors resulting from the veteran's death. It would therefore be inconsistent to calculate survivors benefits under new chapter 14 based in part upon the compensation paid to a veteran for pain and suffering rather than based upon the loss to the veterans' survivors caused by loss of the veteran's earning capacity.

S. 2674 does not authorize VA to provide services to family members of eligible veterans as necessary to facilitate the family members' assistance in treatment, rehabilitation, or long-term care of the veteran, i.e., education

concerning the veteran's injuries and expected progress and caregiver training, counseling, and psychological services. Because the Administration's proposed bill does authorize such services, we favor that bill over S. 2674.

All in all, we prefer the Administration's proposal to S. 2674.

S. 2683

S. 2683 would modify certain statutory authorities relating to educational assistance for veterans, as follows:

- Limit the accelerated-pay provisions of the Montgomery GI Bill—Active Duty educational assistance program (38 U.S.C. chapter 30) to non-degree programs;
- Eliminate sunset provisions for certain work-study opportunities: (1) outreach activities; (2) work performed at a state veterans home; and (3) work performed at a national or state veterans cemetery; and
- Authorize funding for State approval agency (SAA) contracts to be paid out of General Operating Expenses (GOE) rather than out of the Readjustment Benefits (RB) account and authorize amounts to be appropriated for this purpose for FY 2009 through 2011, and beyond.

Section 1 of S. 2683 would limit the accelerated payment provisions of 38 U.S.C. § 3014A(b)(1) to eligible individuals enrolled in a program of study that does not lead to a degree. This change would more closely align the accelerated payment provisions of chapter 30 with the newly enacted accelerated payment provisions of chapters 1606 and 1607 of title 10, United States Code. Accelerated payment provisions were added to the chapter 1606 and 1607

provisions as part of the National Defense Authorization Act (Public Law 110-181), approved by the President on January 28, 2008.

VA objects to limiting accelerated payment provisions to non-degree programs because it could be detrimental to veterans. Many degree programs at institutions of higher learning, including those outside of the high-technology sector, have high costs. Of the total number of accelerated payments for chapter 30, 25 percent are in a program that leads to a degree from an institution of higher learning. We believe limiting accelerated payment to non-degree programs would prevent veterans from pursuing degree programs that would allow maximum benefit from the educational assistance entitlement they have earned.

VA supports the provisions of section 2 of the bill, which would eliminate the sunset dates for certain qualifying work-study activities. We believe that making these changes to 38 U.S.C. § 3485(a)(4) will promote administrative efficiency.

We do not object to the provisions of section 3 of the bill that would authorize the funding of SAA contracts with GOE funds. However, we note that the President's FY 2009 budget request does not include funds for this new GOE requirement; hence, additional funds would need to be appropriated.

We estimate that enactment of S. 2683 would result in net savings to RB of $1.2 million during the first year, $6.5 million over 5 years, and $13.9 million over 10 years. Furthermore, this bill would authorize funding for SAA contracts to be paid from GOE funds rather than RB funds. The amounts authorized for

SAA reimbursement would be $22 million for FY 2009, $24 million for FY 2010, $26 million for FY 2011, and amounts as may be necessary for fiscal years after FY 2011.

S. 2701

S. 2701 would require VA to establish a national cemetery in the eastern Nebraska region to serve the needs of veterans and their families in the eastern Nebraska and western Iowa regions. Section 2(b) would require VA to consult with Federal, state, and local officials before selecting a site for the cemetery. Additionally, section 2(c) would require VA to submit to Congress a report on the establishment of the cemetery, including a schedule and estimated costs for the establishment of the cemetery.

VA does not support S. 2701. Under current VA policy, the need for a new national cemetery to serve eastern Nebraska and western Iowa is not sufficient to warrant the establishment of a new national cemetery in the eastern Nebraska region.

VA's policy is to establish national cemeteries in areas with the largest concentration of unserved veterans. In May of 2002, VA transmitted to Congress Volume 1: Future Burial Needs, as mandated by Public Law 106-117, and specific criteria to serve as the basis for deciding where to establish new national cemeteries: in areas with an unserved veteran population threshold of 170,000 within a 75-mile service radius. With passage of Public Law 108-109, Congress endorsed this policy by naming in statute the six geographic areas meeting this

criterion. This policy has enabled VA to focus resources on serving areas in which high concentrations of veterans do not have access to a burial option. To support construction of a new national cemetery in the eastern Nebraska region (i.e., Bellevue), the bill cites VA's Future Burial Needs Report. This report was submitted to Congress on May 15, 2002, in response to the Veterans Millennium Health Care and Benefits Act (Public Law 106-117) and includes a list of geographic areas with relatively greater needs for new national cemeteries. On the list is the Omaha, Nebraska, area with an estimated unserved veteran population of 115,000. However, the unserved veteran population in the Omaha area has actually declined since submission of VA's Future Burial Needs Report. Based on VA's VetPop 2007 model, we now estimate there are approximately 110,000 unserved veterans residing within a 75-mile radius of Bellevue, Nebraska, who are eligible for burial in a national cemetery. This number is significantly less than the 170,000 population threshold required to establish a new national cemetery.

The bill also cites a study by the Metropolitan Area Planning Agency in Omaha. The study, which was undertaken in October 2005, references an eligible veteran population of over 170,000 for the area. VA does not agree with this finding. Although we have not reviewed the study, we conjecture that the study includes groups VA does not consider eligible for burial in a national cemetery.

The VA State Cemetery Grants Program can provide an additional burial option for veterans in eastern Nebraska and western Iowa. Through this

program, VA may provide up to 100 percent of the costs for establishing or expanding a state veterans cemetery, including the cost of initial operating equipment. Currently, the State Cemetery Grants Program has received applications for the establishment of four state veterans cemeteries that would serve Nebraska and the western Iowa region. Cemeteries are proposed for Alliance and Grand Island, Nebraska; Fort Riley, Kansas; and Des Moines, Iowa. VA would be happy to assist the State of Nebraska in exploring a state veterans cemetery option to serve the Bellevue region.

Besides objecting to S. 2701 because the need for a new national cemetery in the eastern Nebraska region is not sufficient to warrant a new national cemetery in that region, we note that the cost of establishing a new cemetery is considerable. Based on recent experience, the cost of establishing new national cemeteries ranges from $500,000 to $750,000 for environmental compliance requirements; $1 million to $2 million for master planning and design; $1 million to $2 million for construction document preparation; $5 million to $10 million for land acquisition, if required; and $20 million to $30 million for construction. The average annual cost of operating a new national cemetery ranges from $1 million to $2 million.

S. 2737

S. 2737, the "Veterans' Rating Schedule Review Act," would give the Veterans Court jurisdiction to review whether, and the extent to which, the VA Schedule for Rating Disabilities (rating schedule) complies with "applicable requirements of chapter 11" of title 38, United States Code.

VA opposes S. 2737 for the following reasons. First, extending the Veterans Court's jurisdiction to include review of the rating schedule for compliance with applicable statutes would likely increase litigation, over both the validity of rating schedule provisions and the scope of the jurisdictional extension itself. Every claim in which VA grants service connection involves consideration of some portion of the schedule for purposes of rating the service-connected disability, as does every claim for an increased rating. S. 2737 would essentially expose the rating schedule to judicial review in every such claim appealed to the Veterans Court. Any case in which the court feels that a rating-schedule provision prevents a veteran from receiving the full amount of compensation to which the court considers the veteran entitled could be viewed as posing a reviewable conflict between the rating schedule and some statute in chapter 11. If S. 2737 were enacted, the number of appeals to the Veterans Court could skyrocket, an increase in case load the Veterans Court could ill afford. According to the Veterans Court's annual reports, the court's caseload has doubled since 1998. Adding the increase of appeals resulting from the jurisdictional extension to the already growing case load could delay final resolution of all appeals before that court.

A change in the court's jurisdiction would itself stimulate litigation. Undoubtedly, claimants' counsel would test the limits of the court's jurisdiction, giving rise to protracted litigation of uncertain outcome. The courts are still grappling with the parameters of the Veterans Claims Assistance Act of 2000 notice provisions some 8 years after the passage of that statute. Besides

burdening the courts, S. 2737 would require additional VA resources to handle the increase in litigation resulting from judicial review of whether the rating schedule complies with chapter 11 requirements.

Second, S. 2737 would permit piecemeal review of individual rating classifications, which are matters particularly within VA's expertise. Establishing the criteria for rating disabilities and the rates of compensation payable under those criteria depends on gathering and analysis of medical facts, matters of technical and medical judgment, including judgment about what disabilities and levels of disability should be included in the schedule. The prevention of piecemeal review was Congress's rationale in originally proscribing review of the rating schedule in the Veterans' Judicial Review Act. Congress intended that no court should substitute its judgment for the Secretary's as to what rating a particular type of disability should be assigned.

Third, S. 2737 would create a jurisdictional inconsistency. The bill would permit the Veterans Court to decide whether the VA rating schedule is consistent with statutes in chapter 11, but the United States Court of Appeals for the Federal Circuit (Federal Circuit) would remain without jurisdiction under 38 U.S.C. § 502 to review an action of the Secretary relating to the adoption or revision of the rating schedule. Nonetheless, the Federal Circuit would have jurisdiction under 38 U.S.C. § 7292(a) to review a Veterans Court interpretation of statute or regulation. Thus, the Federal Circuit would be barred from reviewing the content of the rating schedule on direct review but could review a Veterans Court decision on whether the rating schedule complies with chapter 11

requirements, which would likely require review of the content of the rating schedule.

Finally, under current case law, the Veterans Court is not totally without authority to review the rating schedule. The Federal Circuit has held that 38 U.S.C. § 7252(b) bars judicial review of the content of the rating schedule and the Secretary's actions in adopting or revising the content. However, the Federal Circuit has also held that the courts, including the Veterans Court, have jurisdiction to review the correct interpretation of rating-criteria content, the Secretary's actions in adopting or revising the criteria for compliance with the Administrative Procedure Act, and constitutional challenges to the rating schedule.

We cannot estimate the costs that would result from enactment of S. 2737.

S. 2768

S. 2768 would temporarily increase the maximum loan guaranty amount for certain housing loans guaranteed by VA. Currently, the maximum guaranty amount is 25 percent of the Freddie Mac conforming loan limitation, for a single family home, as adjusted annually. This means that the *current* VA maximum guaranty is $104,250 on a no-downpayment loan of $417,000. In high-cost areas, defined by Freddie Mac as Alaska, Guam, Hawaii, and the Virgin Islands, the maximum guaranty amount is $156,375 on a no-downpayment loan of $625,500.

S. 2768 would provide VA similar authorizations related to loan limitations such as those established by the recently enacted Economic Stimulus Act, Public Law 110-185. Specifically, it would increase the maximum guaranty amount to be equal to 25 percent of the higher of: (1) the Freddie Mac conforming loan limit or (2) 125 percent of the area median price for a single-family residence, not to exceed 175 percent of the conforming loan limit. The higher guaranty amounts would be authorized through calendar year 2011. An increase in the maximum loan limit generally translates to more purchasing power for veterans. VA supports the increase in loan guarantee limits through December 31, 2008, consistent with the Economic Stimulus Act's other loan provisions. However, we need additional analysis to determine how the change in limit would affect our loan program beyond that date.

S. 2825

S. 2825, the "Veterans' Compensation Equity Act of 2008," would require VA to provide a minimum disability rating of 10 percent for any veteran requiring continuous medication or the use of one or more adaptive devices prescribed by a licensed health care provider for a service-connected disability.

VA does not support this bill. Providing a minimum 10-percent evaluation if continuous medication or the use of an adaptive device is required for otherwise noncompensable disabilities is an action already within the Secretary's authority in constructing VA's Schedule for Rating Disabilities. Therefore, legislation is unnecessary.

For the purpose of estimating costs, we assume that S. 2825 would primarily affect veterans with service-connected hypertension rated zero percent or with hearing loss rated zero percent (the largest and most readily identifiable groups of veterans that this bill would affect) and that only veterans with a combined evaluation of zero percent to 50 percent would receive an increase in combined degree of disability as a result of this measure. Veterans with higher combined degrees of disability would not likely receive an increase as a result of S. 2825. There are 264,095 veteran cases whose combined rating would increase by 10 percent due to an increased rating for either hearing loss or hypertension.

VA estimates that enactment of S. 2825 would result in benefit costs of $591.8 million in the first year, $3.3 billion over five years, and $7.5 billion over 10 years.

S. 2864

S. 2864, the "Training and Rehabilitation for Disabled Veterans Enhancement Act of 2008," would expand the scope of services that VA may provide to veterans who are entitled to vocational rehabilitation or independent living services under chapter 31 of title 38, United States Code, to include services and assistance designed to improve a veteran's quality of life. The bill also would remove the current statutory limitation on the number of new entrants into programs of independent living in any fiscal year. The current limit is 2,500 veterans.

VA supports efforts to improve the quality of life for veterans with service-connected disabilities and to remove the limitation on the number of veterans who may enter programs of independent living so that all veterans who need those services may receive them. However, we are concerned about defining "quality of life," for purposes of the bill.

Consistent with Vocational Rehabilitation and Employment (VR&E) regulations and policy, the independent living program is designed to improve quality of life by providing services and assistance that result in decreased reliance on outside supports, decreased restrictions to living independently in the community, and increased independence in activities of daily living. The introduction of the phrase "and to improve a veteran's quality of life" in title 38, United States Code, would require rulemaking in the related sections of the Code of Federal Regulations to define that phrase. We believe that an attempt to comprehensively define what services may be provided to "improve a veteran's quality of life" may be too prescriptive and may ultimately result in a reduction in the scope of services available under a program of independent living. For this reason, and because no offsets are provided for increased direct costs, we do not support S. 2864 in its present form.

No additional costs to VR&E are anticipated as a result of including language regarding improvement of a veteran's quality of life. This is consistent with current services and assistance that result in the veteran's decreased reliance on outside supports, decreased restrictions to independent living in the community, and increased independence in activities of daily living. Removing

the limitation on the number of veterans who may enter independent living programs each fiscal year, however, would result in additional caseloads and additional costs. We estimate that enactment of S. 2864 would result in additional benefit costs of $877,000 in FY 2009, $12,971,000 over 5 years, and $47,563,000 million over 10 years.

S. 2889

S. 2889, the "Veterans Health Care Act of 2008," contains legislative proposals that the Administration recently submitted to Congress as part of the annual budget submission.

Section 7 would make permanent VA's authority to verify the eligibility of recipients of, or applicants for, VA need-based benefits and services using income data from the Internal Revenue Service and the Social Security Administration. The existing authority has been instrumental in correcting amounts of benefits payments and determining health care eligibility, co-payment status, and enrollment priority assignment; however, this authority expires on September 30, 2008. Expiration of this authority would interrupt the income verification process.

VA estimates that enactment of section 7 would result in net discretionary savings of $8.2 million in FY 2009 and $270 million over 10 years.

Section 8 would direct the Secretary to increase administratively the rates of disability compensation for veterans with service-connected disabilities and of dependency and indemnity compensation for the survivors of veterans whose deaths are service related, effective December 1, 2008. As provided in the

President's FY 2009 budget request, the rate of increase would be the same as the COLA that will be provided under current law to Social Security recipients, which is currently estimated to be 2.5 percent. We estimate that enactment of this section would cost $687.2 million during FY 2009 and $9.2 billion over the 10-year period FY 2009 through FY 2018. This cost is already assumed in the Budget baseline and would not result in any additional cost.

We believe this proposed COLA is necessary and appropriate in order to protect the affected benefits from the eroding effects of inflation. The worthy beneficiaries of these benefits deserve no less.

S. 2938

S. 2938, the "Enhancement of Recruitment, Retention, and Readjustment Through Education Act of 2008," would increase the rates of basic Montgomery GI Bill (MGIB) education benefits for active-duty personnel, increase education benefits for National Guard and Reserve members, expand the authority for servicemembers to transfer their education benefits to spouses and dependent children, allow servicemembers to use a portion of their MGIB education benefit to repay Federal student loans, allow service academy graduates and Senior Reserve Officers' Training Corps officers MGIB educational assistance benefits if they continue serving for at least 5 years beyond their initial commitment, and create the College Patriots Grant Program, a matching program for VA and colleges to provide supplemental educational grants to qualified individuals.

The bill would provide transferability under all education programs VA administers for active duty servicemembers and reservists. Benefit transferability

is an Administration priority, advocated by the President in his State of the Union address, that would benefit those members committed to a career in service. It is an initiative our senior uniformed leaders enthusiastically support and one that is supportive of the current makeup and retention of the all-volunteer force. Under S. 2938, servicemembers who have served 6 years may transfer one half (18 months) of their educational benefits to a dependent child or spouse. For those who have served 12 years or more, the individual may transfer all of the educational benefits to a dependent child or spouse. In addition, this bill would provide increased benefits to all members of the active duty and Selective Reserve forces. The monthly benefit for a veteran with 3 years of active duty would be $1,500, which exceeds the average 4-year cost of tuition, fees, room, and board at a public institution. Additionally, a higher benefit rate would be payable to those who have served 12 years or more. Such members would receive $1,650 monthly, with that amount increasing gradually to $2,000 monthly in fiscal year 2011. VA defers to DoD regarding how S. 2938 will affect recruitment and retention of the all-volunteer force.

VA could administer most of the provisions (excluding transferability) in the bill within our current information technology (IT) environment. VA anticipates a significant increase in the number of transferability claims. To ensure proper accounting procedures are followed, enhancements to the system would be necessary to automate system accounting. Rather than adding a new program, the bill would enhance existing programs. This would provide for

smoother implementation, reduced risk of education claim backlogs, and untimely education claim adjudications.

VA estimates that the enactment of S. 2938 would result in direct costs to VA of $668.3 million during the first year, $6.6 billion for 5 years, and $15.0 billion over 10 years. In addition, VA estimates receiving reimbursement for DoD of $930 million in FY 2009, $5.3 billion for 5 years, and $10.0 billion over 10 years for programs administered by VA but funded from DoD's Education Benefit Trust Fund. VA also estimates requiring an additional 48 FTE to implement the bill in the first year at a cost of $3.8 million. The Administration is willing to work with the Congress to address the costs of this bill. There follows a discussion of the specific provisions of the bill, in which we also note several concerns and offer a few suggested technical changes.

Section 3 of the bill would require DoD, in consultation with VA, to develop a plan that would enable both Departments to better coordinate current educational assistance programs, as well as develop new ones, to ensure that each career member of the Armed Forces has the opportunity to earn a bachelor's degree before completing his or her active duty service and retiring from the Armed Forces. DoD would be required to submit a report detailing the plan to Congress no later than August 1, 2009.

Section 4 of S. 2938 would increase the rates of basic educational assistance under the Montgomery GI Bill–Active Duty (MGIB-AD) program. Rates would be classified as follows: (1) one tier for individuals with a 3-year service obligation, but who served at least 12 years of active duty; (2) another for

individuals with a 3-year obligation, but who served less than 12 years; and (3) a final tier for those with a 2-year obligation. The full-time, 3-year benefit rate for those with over 12 years of service would increase to $1,650 per month in FY 2009; to $1,800 in FY 2010; and to $2,000 in FY 2011. The full-time, 3-year benefit rate for those with less than 12 years service would increase to $1,500 per month in FY 2009. The full-time, 2-year benefit rate would increase to $950 per month in FY 2009. Cost-of-Living Adjustments (COLA's) would not be provided in the fiscal years with specified rates; however, COLA's would be provided in subsequent fiscal years. The rate increases would be effective October 1, 2008.

Section 5 of this measure would create a stipend for recipients of education benefits under the MGIB-AD education program. Individuals attending an approved program of education at an institution of higher learning (IHL) would be eligible to receive a stipend based on their training time. An individual attending an IHL at least half-time would be eligible to receive a stipend at the annual rate of $500. Those individuals attending at less than half-time would be eligible to receive a stipend at the annual rate of $350. This section would be effective 1 year after the date of enactment. Individuals often change their training schedule throughout the year, as well as attend school for only part of a year. Thus, it is unclear whether VA would need to prorate this stipend based on enrollment changes.

Section 6 of S. 2938 would increase the rates of educational assistance for individuals receiving education benefits under the chapter 1606 MGIB-

Selected Reserve (MGIB-SR) education program. The monthly rate for full-time pursuit of a program of education would be increased from the current rate of $317 to $634; the three-quarter-time rate would be increased from $237 to $474; and the half-time rate would be increased from $157 to $314. These rate increases would be effective on October 1, 2008. COLA's in these rates would not be provided for FY 2009; however, COLA's would be provided for the educational assistance payable for subsequent fiscal years.

Section 7 of this bill would increase the rates of educational assistance for individuals receiving education benefits under the Reserve Educational Assistance Program (REAP). The bill would link the new REAP rate to the proposed MGIB-AD increased rates (as provided under section 4 of this measure) using the current percentages (40, 60, or 80 percent, respectively) of the 3-year obligated-service MGIB-AD rate, based on the time the REAP benefit recipient served on active duty. Individuals who serve at least 12 years in the Selected Reserve would receive a percentage of the 12-or-more-year rates as proposed in the MGIB-AD increase. All others would receive a percentage of the less-than-12-year proposed rate. This amendment would take effect October 1, 2008.

Section 8 would modify and enhance the provisions of titles 10 and 38 for the MGIB-AD and MGIB-SR programs and REAP to authorize certain individuals on active duty or serving as members of the Selected Reserve to transfer their entitlement to educational assistance benefits to their dependents. This measure would eliminate the current requirement under the MGIB-AD program that an

individual have a critical military skill or be in a Military Occupational Specialty that requires a critical military skill to be eligible to transfer a portion of such individual's entitlement. Instead, at the time of the request for transfer of entitlement, the individual would have to have completed 6 years of service and meet such other requirements as DoD might prescribe. This provision would allow such eligible individuals with less than 12 years of active-duty service to transfer up to 18 months of entitlement. Those with more than 12 years of active-duty service could transfer any number of unused months of entitlement. The bill also would exclude transferred entitlement for consideration as marital property. This section would be effective October 1, 2009.

Section 9 of S. 2938 would allow individuals with entitlement to MGIB-AD educational assistance benefits to elect to have all or a portion of their benefit dollars paid towards Federal student loans accrued under title IV of the Higher Education Act of 1965. The amount payable could not exceed the monthly benefit the individual is eligible to receive at the time of the payment towards the Federal student loans. The individual would have to be on active duty when the loan is repaid, and payments would be limited to no more than $6,000 in a 12-month period and would be paid monthly. This section would be effective 1 year after the date of enactment. As drafted, the bill would require VA to make such payments monthly. To require payments to be made with this frequency would unduly complicate the process and be administratively burdensome.

Section 10 of this measure would allow individuals who are commissioned after graduating from a Service Academy or following completion of a Senior

Reserve Officer's Training Corps program under chapter 103 of title 10, United States Code, after September 30, 2009, to qualify for MGIB-AD educational assistance benefits. The individual would be required to serve at least 5 years of continuous active duty in addition to the period of service for which he or she is obligated in connection with their commission. This section would be effective October 1, 2009.

Section 11 of the bill allows certain VEAP-era personnel who first entered on active duty as members of the Armed Forces on or after January 1, 1977, but before July 1, 1985, an opportunity to make an irrevocable election to receive benefits under the MGIB-AD program. In addition, within 1 year of this election, an individual who decided to make such election must have contributed $2,700 to DoD. The individual must also have completed the requirements of a secondary school diploma (or equivalency certificate) or completed the equivalent of 12 semester hours in a program of education leading to a standard college degree. The open eligibility period would run from October 1, 2009, to September 30, 2010.

Section 12 of S.2938 would create the College Patriots Grant Program whereby VA and an institution of higher education (IHE) through a partnership could provide supplemental educational grants to assist qualified individuals to meet the cost of attendance at that IHE. Under the program, Federal assistance would be made available to an IHE that has determined that a qualified individual has an unmet financial need for which the IHE is providing a portion of that unmet need. This provision would be effective 1 year after the date of

enactment. Program outreach for the College Patriot Grant Program would be conducted by VA in coordination with the Department of Education and DoD. The administrative requirements to initiate such a program would be significant, and we recommend that the necessary resources be provided.

Unnumbered Housing Refinance Legislation

S. xxxx would increase the maximum guaranty amount for certain refinance loans, sometimes referred to as "regular" refinances, and would reduce the existing equity requirement for such loans from 10 percent to 5 percent. In general, a regular refinance loan is one in which a veteran refinances a loan not already guaranteed by VA. The law currently limits VA's guaranty to $36,000 on regular refinance loans and limits the loan-to-value ratio (LTV) to 90 percent of the value of the security. This means that the maximum loan amount a veteran effectively may borrow with a VA guarantee is $144,000 and that a veteran who has no equity in his or her home may obtain a regular VA refinance loan for only 90 percent of the home's appraised value.

The change proposed by S. xxxx would increase the maximum guaranty amount on regular refinances by tying such amount to the Freddie Mac Conforming Loan Limit. This means that a veteran who meets VA's underwriting criteria could obtain a guaranty of as much as $104,250 on a loan of $417,000.

Furthermore, S. xxxx would change the existing LTV requirement for regular refinance loans by increasing the limit from 90 percent to 95 percent of the home's appraised value.

Unnumbered Foreclosure Relief Legislation

S. XXXX, the "Preventing Unnecessary Foreclosure for Servicemembers Act of 2008," would amend the Servicemembers Civil Relief Act to protect against mortgage foreclosures for certain disabled or severely injured servicemembers. Because that Act would be implemented by DoD, we defer to that department regarding the merits of this proposal.

Unnumbered Benefits Enhancement Legislation

Mr. Chairman, thank you for introducing S. xxxx, the "Veterans' Benefits Enhancement Act of 2008," on behalf of VA. Titles I and II of this bill would expand and enhance veterans' benefits, as noted below.

Title I—Education Benefits

Section 101 of S. xxxx would eliminate the requirement that educational institutions providing non-accredited courses must report to VA any credit that was granted by that institution for an eligible person's prior training.

Under current law, State approving agencies approve, for VA education benefits purposes, the application of educational institutions providing non-accredited courses if the institution and its courses meet certain criteria. Among these is the requirement that the institution maintain a written record of the previous education and training of the eligible person and what credit for that training has been given the individual. The institution must notify both VA and the eligible person regarding the amount of credit the school grants for previous training.

VA proposes to eliminate that notification requirement as it pertains to VA. VA will still have oversight, just as it does with accredited courses. VA will review records during compliance visits to assure the institution is evaluating and appropriately reducing program requirements because of credit given for prior training.

Removing the reporting requirement would shorten claims processing time because VA would not have to review each claim for the presence of such notice and, if not submitted, have to check with the school and student to assure the requirement has been met. It would also permit more cases to be processed through VA's Electronic Certification Automated Processing (ECAP) program. The ECAP system cannot process claims where proper credit reporting is at issue because those cases require manual development and review by a veteran's claims examiner. The more claims VA can process through the ECAP system, the more timely VA beneficiaries will receive their benefits.

Following up with schools for the written notification burdens the school certifying official and student, as well as VA. Often the school certifying official, who is responsible for reporting a veteran's enrollment, is not the individual who evaluates credit. The certifying official has no control over how long it takes the school to accomplish the review and granting of prior credit.

Further, several of VA's stakeholders, including the National Association of Veterans' Program Administrators, have recommended that VA review school records to determine granting of prior credit during compliance visits rather than require the school to submit written reports. Eliminating this requirement would

streamline the administration of educational assistance benefits and improve the delivery of benefits to veterans, reservists, and other eligible individuals.

There would be no costs associated with enactment of this section.

Section 102 of this bill would reduce from 10 days to 5 days the current waiting period required prior to the student's affirmation of an enrollment agreement with an educational institution to pursue a program of education exclusively by correspondence.

Under current law, an enrollment agreement signed by a veteran, spouse, or surviving spouse is not effective unless he or she, after 10 days from the date of signing the agreement, submits a written and signed statement to VA affirming the enrollment agreement. If the veteran, spouse, or surviving spouse at any time notifies the institution of his or her intention not to affirm the agreement, the institution, without imposing any penalty or charging any fee, promptly refunds all amounts paid.

The statutory 10-day period is twice the requirement of the Distance Education and Training Council (DETC) accrediting body standard, which states that institutions will allow a full refund of all tuition expenses paid if a student cancels within 5 days after enrolling in a course. Reducing the affirmation waiting period to 5 days would make the statute consistent with the DETC standard and eliminate confusion. It would also permit eligible individuals to begin their programs sooner. Should they decide at any time not to affirm the enrollment agreement, the eligible individuals would still be entitled to a refund of all amounts paid.

Finally, this proposal would allow VA to strengthen its partnership with the National Association of State Approving Agencies, which has had this issue high on its list of legislative priorities.

There would be no costs associated with enactment of this section.

Section 103 of the bill would eliminate the requirement that an individual must file an application with VA when that individual remains enrolled at the same school but changes his or her program of study.

Under current law, a student who desires to initiate a program of education must submit an application to VA in the form prescribed by VA. If the student decides a different program is more advantageous to his or her needs, that individual may change his or her program of study once. However, additional changes require VA to determine that the change is suitable to the individual's interests and abilities. It is rare for VA to deny a change of program, especially if the student is continuing in an approved program at the same school.

Under this provision, VA would accept the new program enrollment based on the certification of such enrollment from the school without requiring additional certification from the student. VA would still have oversight of program changes by reviewing school records when VA conducts its compliance visits. Again, this requirement would be eliminated for program changes only when the student remains enrolled at the same school.

Section 103 also would allow VA to increase the number of claims processed using the ECAP program without manual review by a veterans claims

examiner. Thus, since VA could award benefits based only on the school's certification, without having to wait for additional certification from the student, VA could award benefits more timely and with less of a public information collection burden.

There would be no costs associated with enactment of this section.

Section 104 of the bill would eliminate the requirement that wages be earned by veterans pursuing self-employment on-job training authorized under section 301 of Public Law 108-183. That section expanded the chapter 30 Montgomery GI Bill program by authorizing educational assistance benefits for full-time on-job training (OJT) of less than 6 months needed for obtaining licensure to engage in a self-employment occupation or required for ownership and operation of a franchise.

Currently, all the provisions of title 38, United States Code, that apply to VA's other OJT programs (except the requirement that a training program has to be for least 6 months) apply to franchise-ownership OJT, including the requirement that the trainee earn wages that are increased incrementally. Through contact with the International Franchise Association, VA has determined that OJT for new franchise owners does not involve the payment of wages. Thus, if franchise OJT programs are not exempted from the current title 38 wage requirements, no franchise-ownership OJT program will ever be approved for VA benefits.

VA has determined that no direct costs would result from enactment of this proposal. The estimated costs for implementing the section 301 authority have been included in the budget base each year since its enactment.

Title II—Other Benefits Matters

Section 201(a) of the bill would explicitly authorize VA to stay temporarily its adjudication of a claim pending before either a VA regional office (or other agency of original jurisdiction) or the Board of Veterans' Appeals (Board) when the stay is necessary to preserve the integrity of a program administered under title 38, United States Code.

It is widely accepted that courts and administrative adjudicative agencies generally have the authority to manage their case loads and to stay cases as necessary for proper management. VA has historically used such authority sparingly to avoid waste and delay and to ensure consistency on important issues of law, usually when VA has appealed a controlling adverse decision by the U.S. Court of Appeals for Veterans Claims (Veterans Court). However, the Veterans Court recently curtailed this authority in *Ramsey v. Nicholson*, 20 Vet. App. 16, (2006), and *Ribaudo v. Nicholson*, 20 Vet. App. 552 (2007) (en banc), effectively assuming supervisory control of VA's adjudication docket.

In *Ramsey*, the Veterans Court held that VA could not stay cases while it appealed the Veterans Court's decision in *Smith v. Nicholson*, 19 Vet. App. 63 (2005), which required VA to pay benefits in a manner VA believed to be unauthorized by law and which VA had appealed to the Federal Circuit. *Ramsey* would have required VA to pay those benefits, irrespective of VA's position on

appeal, if VA had not prevailed in its Federal Circuit appeal soon after *Ramsey* was issued. Had VA's appeal not been resolved so quickly, VA would have been required to grant claims pursuant to *Ramsey* while the Federal Circuit reviewed the appeal, and many veterans would have received benefits to which they were not entitled under the law.

Similarly, in *Ribaudo*, the Veterans Court held that VA could not stay cases while it appealed *Haas v. Nicholson*, 20 Vet. App. 257 (2006). *Haas* is a significant decision, with broad and costly implications, in which the Veterans Court ordered VA to presume that veterans who served exclusively on ships off the shores of Vietnam were nevertheless exposed to defoliants (including Agent Orange) that were sprayed only over land. In *Ribaudo*, the Veterans Court granted VA's request for a stay of cases, but only after holding that VA's own authority did not allow it to effect such a stay, thereby placing under the control of the Veterans Court VA's entire docket of claims affected by *Haas*, claims over which the Veterans Court does not yet have direct jurisdiction.

Section 201(a) would also require VA to issue regulations describing the factors it will consider in determining whether and to what extent such stays are warranted and would permit claimants to seek review of a stay in the Federal Circuit. Because the Federal Circuit has exclusive jurisdiction over appeals from the Veterans Court, it is in the best position to determine whether a case should be stayed pending such an appeal.

Under section 201(c), these new provisions would apply to benefit claims received by VA on or after the date of enactment and to claims received by VA before that date but not finally adjudicated by VA as of that date.

Section 202(a) of the bill would clarify that the Board has the authority to decide cases out of docket-number order when a case has been stayed or when there is sufficient evidence to decide a claim but a claim with an earlier docket number is not ready for decision.

Current law requires that "each case received pursuant to application for review on appeal shall be considered and decided in regular order according to its place upon the docket." Section 202(a) would clarify that compliance with that requirement does not require the Board to refrain from deciding a case unaffected by a stay simply because that case has a higher docket number than a stayed case. Expressly authorizing the Board to decide cases out of docket order, when a later case is ready for decision sooner than an earlier case, would reflect current Board practice of allowing later cases that are ready for decision to proceed while earlier cases are still being developed. The Veterans Court's *Ribaudo* decision rested in part on its interpretation of current law, and the express recognition of the Board's practice will clarify that that statute does not relieve VA of its duty to decide administrative appeals quickly and efficiently.

Under section 202(b), this provision would apply to benefit claims received by VA on or after the date of enactment and to claims received by VA before that date but not finally adjudicated by VA as of that date.

The provisions in sections 201 and 202, governing staying of claims and management of the Board's docket, would save the benefit costs and administrative expenses associated with granting benefits under court precedents that are later overturned on appeal. The amount of savings cannot be predicted, because it would depend upon the nature of the court decisions at issue, the extent to which those decisions compel payments or other expenses, and the number of claimants affected. However, VA has estimated that the Veterans Court's decision in *Haas* will result in approximately $22.9 million in administrative costs and approximately $2.1 billion in benefit costs in the initial year of implementation.

Section 203 of the bill would eliminate the disparity between eligibility for burial and eligibility for a memorial headstone or marker. It would extend eligibility for memorial headstones or markers to a veteran's deceased remarried surviving spouse whose remains are unavailable for burial, without regard to whether any subsequent remarriage ended, and would ensure that the burial needs of veterans and their survivors are more adequately met.

Current law authorizes VA to furnish an appropriate memorial headstone or marker to commemorate eligible individuals whose remains are unavailable. Individuals currently eligible for such memorial headstones or markers include a veteran's surviving spouse, which includes "an unremarried surviving spouse whose subsequent remarriage was terminated by death or divorce." Thus, a surviving spouse who remarried after the veteran's death is not eligible for a memorial headstone or marker unless the remarriage was terminated by death or

divorce before the surviving spouse died. However, a surviving spouse who remarried after the veteran's death is eligible for burial in a VA national cemetery without regard to whether any subsequent remarriage ended.

Enactment of this provision would result in only nominal benefit costs.

Section 204 of this bill would make permanent the authority given by section 704 of Public Law 108-183 that allows VA to contract for medical disability examinations using appropriated funds other than funds available for compensation and pension. Currently, that authority will expire on December 31, 2009.

This change would provide VA with flexibility needed to effectively utilize supplemental and other appropriated funds in responding to unanticipated needs and emergencies. The demand for medical disability examinations has increased beyond the limited number of requests that the current system was designed to accommodate. The rise in demand is largely due to an increase in the complexity of disability claims, an increase in the number of disabilities claimed by veterans, and changes in eligibility requirements for disability benefits. The permanent authority to provide examinations to veterans through non-VA medical providers would continue this important resource for VA in providing high-quality patient care and improving benefit delivery.

We estimate that enactment of section 204 would have no significant financial impact.

Section 205(a) of the bill would extend full-time and family Servicemembers' Group Life Insurance (SGLI) coverage to Individual Ready

Reservists (IRRs), individuals referred to in 38 U.S.C. § 1965(5)(C). It would correct an oversight in the Veterans' Survivor Benefits Improvements Act of 2001, which provided such coverage for Ready Reservists, referred to in section 1965(5)(B), but not for IRRs. IRRs should be provided comparable coverage because many of them have been called up to serve in Operation Enduring Freedom or Operation Iraqi Freedom.

Section 205(b) would provide that a dependent's SGLI coverage would terminate 120 days after the date of the member's separation or release from service, rather than 120 days after the member's SGLI terminates, as currently provided. Under current law, a member retains SGLI coverage for 120 days after separation or release from service, but a dependent retains coverage for 120 days after that, for a total of 240 days after the member's separation from service, twice the period of coverage for most insureds. This provision would correct that inequity.

Section 205(c) would clarify that VA has the authority to set premiums for SGLI coverage for the spouses of Ready Reservists based on the spouse's age. This provision would correct an inconsistency between 38 U.S.C. § 1969(g)(1)(A), which does not require identical premiums for coverage of active duty members' spouses, and section 1969(g)(1)(B), which may be read to imply that identical premiums for coverage of Ready Reservists' spouses are required. This change would make the law consistent with VA practice.

Section 205(d) would clarify that any person guilty of mutiny, treason, spying, or desertion, or who, because of conscientious objections, refuses to

perform service in the Armed Forces or refuses to wear the uniform of the Armed Forces, forfeits all rights to Veterans' Group Life Insurance (VGLI), as well as SGLI. This provision would be consistent with public policy and would eliminate a distinction between SGLI and VGLI insureds that has no rational basis.

There would be no costs associated with enactment of this section.

Section 206 of the bill would authorize the Secretary to provide Specially Adapted Housing (SAH) grants to active duty servicemembers who reside temporarily with a family member. Public Law 109-233 authorized the Secretary to provide such assistance to veterans by adding a new section 2102A to title 38, United States Code. However, the new section did not expressly include active-duty servicemembers, nor did it amend section 2101(c), the section that provides eligibility to active duty servicemembers for other SAH grants.

This amendment also would ensure that, absent express language to the contrary, active duty servicemembers would be covered by future SAH benefit program amendments. Due to the structure of chapter 21, active duty servicemembers on occasion have been overlooked, inadvertently, in the course of amending the SAH program. For instance, a renumbering of SAH provisions in Public Law 108-454 inadvertently omitted the provision that created SAH eligibility for active duty servicemembers. Similarly, Public Law 109-233, failed to include authority for VA to assist active duty servicemembers temporarily residing with family members. This proposal would correct the latter oversight and, by amending section 2101(c) more broadly, would make the inclusion of otherwise eligible active duty servicemembers the rule, rather than the exception.

There would be no costs associated with enactment of this section.

Section 207 of the bill would designate the VA office established to support contracting with small businesses, which was required by section 15(k) of the Small Business Act (15 U.S.C. § 644(k)), as the Office of Small Business Programs, to more clearly represent that office's scope of authority. The name would not reflect any change in emphasis or support for disadvantaged small businesses, but rather would clarify that the Office of Small Business Programs has the full range of authority over many other small business programs. The new title would capture the overarching nature of the program, which encompasses the small disadvantaged business, the service-disabled veteran-owned small business, the veteran-owned small business, the qualified historically underutilized business zone small business, the women-owned small business, and the very small business programs.

There would be no costs associated with enactment of this section.

This concludes my statement, Mr. Chairman. I would be happy to now entertain any questions you or the other members of the Committee may have.