



2006 ANNUAL REPORT

U. S. SENATOR

CHUCK HAGEL

February, 2007



Senator Hagel visited Nebraska troops in Japan while leading a Congressional Delegation to Asia in October. Pictured are Major Daneta Johnson, Captain Justin Harvey, Captain David Miller, Senator Hagel, Master Sergeant Terence Knobel, Senior Airman Dustin Dimmitt, and Airman First Class Nicole Zach, all of the USAF.

Dear Friends,

In 2006, America faced important challenges and opportunities. Our Nation is engaged in complicated and difficult wars in Iraq and Afghanistan. Nebraska's servicemen and women and their families continue to make great sacrifices on behalf of our nation. We are grateful for their selfless dedication, and we will never forget their service to this great country.

Since my first year in the Senate, I have compiled an annual report to keep you informed of the actions taken the previous year on issues of importance to our state and nation.

I look forward to meeting with many of you this year in Nebraska and Washington and receiving your suggestions and hearing your thoughts as I work to responsibly address your concerns. Thank you for the privilege of serving you and our country.

Sincerely,
Chuck H.

MAJOR ISSUES IN CONGRESS IN 2006

National Security

Iraq

The Iraq War is the most important issue facing America today. We have lost 3,100 American lives and over 23,000 Americans have been wounded, many maimed for life. We have spent hundreds of billions of dollars. The Iraqi people must now make the difficult choices about their own future. That is why I believe it is wrong to put additional American troops in the middle of a tribal sectarian civil war for which there is no U.S. military solution. The future of Iraq will be determined by the Iraqi people. The United States must have a new Middle East diplomatic strategy to begin to stabilize Iraq and the region. I will keep working to ensure that we have a policy in Iraq that is worthy of the sacrifices of our men and women in uniform.

Afghanistan

The U.S. and our NATO allies are in a difficult fight against a resurgent Taliban in Afghanistan. Last year was the most violent since 2001, when the United States toppled the government of the Taliban. In September, I met with Afghan President Hamid Karzai about the challenges facing his country. More recently, I met with William Wood, the new Ambassador to Afghanistan. We must stay focused on this challenge and mindful of what is at stake in Afghanistan.

International Engagement

Strong relationships with our allies around the world will remain a vital building block for American prosperity and security in the 21st century. In April, I traveled to India and Pakistan for wide-ranging meetings with their leaders, U.S. government officials, and non-government leaders. Among the many issues that I discussed was the President's important decision to deepen our strategic relationship with India,

in particular by pursuing civil nuclear cooperation. I strongly supported the President's decision and was an original co-sponsor of the Senate bill to permit U.S.-India civil nuclear cooperation. In December, the President signed the U.S.-India Nuclear Cooperation Promotion Act of 2006 into law. This historic step will strengthen the relationship between the world's two largest democracies.

In October, I traveled to Japan, the Philippines, Vietnam and South Korea. Asia represents one of the most significant geostrategic regions for U.S. interests. My meetings covered bilateral relations with each country, regional security, the U.S.-Japan alliance, and U.S.-Vietnam economic relations, including Vietnam's effort to join the World Trade Organization (WTO). Vietnam was accepted into the WTO on November 7, 2006. I co-sponsored the legislation to extend Permanent Normal Trade Relations (PNTR) with Vietnam that the U.S. House and Senate passed in December. An increase in America's trade with the world provides more opportunities for Nebraska's producers and consumers.

Intelligence Reform

In September, the Senate passed the Military Commissions Act. I supported this bill because I believe it is responsible legislation that meets the basic requirements of the Supreme Court's decision in Hamdan v. Rumsfeld, and upholds America's obligations under the Geneva Conventions.

Last year, I joined a group of bipartisan colleagues in introducing legislation to provide a statutory framework for the President to conduct a responsible domestic surveillance program. Congressional oversight and judicial review are indispensable to protecting the rights and liberties of American citizens.

In addition to conducting oversight of ongoing intelligence operations, last year I helped foster

the release of two Senate Intelligence Committee reports reviewing the intelligence leading up to the war in Iraq.

Immigration Reform

For years, Congress has ignored the hard decisions required to secure our borders and fix our immigration system. This cannot continue. Our nation has paid a heavy price for our neglect. It is not in our national security interests to have between 10-12 million undocumented individuals living inside our borders.

In May, the Senate passed the Comprehensive Immigration Reform Act, which I co-authored. This bill includes a massive new commitment to border security and immigration enforcement, creates a realistic temporary worker program, and provides a commonsense solution for the 10-12 million illegal aliens living in our country. The bill would allow certain long-term illegal aliens who have a clean record, who pay significant fines and back-taxes, and who have been employed for at least three years to eventually become legal immigrants. All other illegal aliens would have to exit the country and could apply to reenter legally, or they would be deported. In December 2005, the House of Representatives passed their version of immigration legislation. The differences between the Senate and House passed bills were to be resolved in a House-Senate Conference Committee. Unfortunately, the House leadership refused to allow the conference committee to go forward and negotiations never took place to reconcile the differences between the two bills.

In October, Congress passed the Secure Fence Act. I voted for this legislation. This bill authorizes the construction of 700 miles of double-layered fencing along portions of the U.S.-Mexico border. Securing our borders is vital, and it is one of the many steps necessary to repair our broken immigration system. In 2007, I will continue to work with President

continued . . .

MAJOR ISSUES IN CONGRESS IN 2006



In July, Senator Hagel toured Western and Central Nebraska to see the impact of the continued drought conditions. Pictured is Senator Hagel with local agriculture producers in Cherry County.

Bush and my colleagues to pass comprehensive immigration reform legislation.

Agriculture and Rural Development

Farm Bill Re-Authorization

In August, I participated in the Senate Agriculture Committee's Farm Bill Field Hearing in Grand Island, where the state's leaders in the agricultural community gathered to share input on how best to develop a new federal farm policy. The hearing provided valuable insight into what Congress can do better when Congress re-authorizes the next Farm Bill.

On January 31, 2007, Secretary Johanns announced USDA's 2007 Farm Bill proposal, which includes a plan to close loopholes that allow individuals who have never farmed to collect taxpayer dollars under the guise of "farm payments," and others to collect thousands of dollars over what the law allows. The proposal also includes money for renewable energy, rural development, and conservation programs. I applaud Secretary Johanns for taking a leadership role in the formation of our next Farm Bill.

It will be critical that Nebraska's agricultural producers remain involved in this debate. Lawmakers will rely on the participation of our producers. I will continue to work with my colleagues, Secretary Johanns, and Nebraska producers to develop a forward-looking policy for our next Farm Bill.

Drought

Some parts of Nebraska are suffering from their 8th year of drought. In July, I toured parts of Western and Central Nebraska to see the impact of the drought conditions. There have been several disaster assistance proposals offered in the Senate since last March, and I strongly supported each proposal. I was an original co-sponsor of the Emergency Agricultural Disaster Assistance Act of 2006, which would provide assistance to crop and livestock producers for losses in 2005 and 2006. Disaster assistance must be a top priority now that Congress has reconvened.

Tax Relief for Livestock Producers

Capital Gains Deferment

The tax code gives producers four years to replace cattle they were forced to sell, due to drought and other weather-related conditions, before capital gains are due. Beginning in 2007, some Nebraska cattle producers would be required to purchase replacement cattle to avoid realizing a gain on cattle sold four years ago. However, current conditions are not suit-

able for the purchase of replacement cattle because of the persistent drought. In September, the Department of Treasury extended the capital gains tax deferral, ruling that producers will not have to pay capital gains until one year after the drought ends. I requested that the Department of Treasury grant the extension, and worked directly with Treasury Secretary Henry Paulson to develop the rule. I will continue to look for creative ways to help Nebraska's ag producers.

CAFO Tax Credit Act

Concentrated Animal Feeding Operations (CAFOs) are sites where large numbers of animals are housed and fed. Environmental Protection Agency (EPA) regulations require CAFOs which discharge into U.S. waterways to obtain a discharge permit, and control material that enters those waterways. Obtaining this permit is very costly for CAFO operators, and will require that they modify their operations to comply with EPA regulations. In June, I introduced legislation provides a tax credit to help livestock producers meet the costs of compliance. While nobody disagrees on the need to control discharges into U.S. waterways, the EPA has once again regulated industry without considering the cost. I re-introduced this legislation in the 110th Congress.

Beef Trade

In December 2003, the first case of Bovine Spongiform Encephalopathy (BSE) was discovered in the United States, causing several foreign countries to ban U.S. beef from their markets. Since that time, I have worked with the U.S. Department of Agriculture, foreign diplomats and my colleagues to regain full market access for our beef producers. In July, I hosted Japanese Ambassador Ryozo Kato in my office to discuss the issue of reopening the Japanese market to American beef. On July 24, the Japanese officially announced they would lift their ban on U.S. beef. Since the beginning of 2006, Taiwan, Colombia, and Peru's markets have also reopened. We must continue to push for expanded access into foreign markets. I will continue to work for worldwide market access for Nebraska's beef producers.

Education

IDEA

Over thirty years ago, Congress passed the Individuals with Disabilities Education Act (IDEA) to help states provide all children with disabilities a free, appropriate public education in the least restrictive environment. At that time, Congress set a goal of bearing 40 percent of the excess cost of serving these students. Today, that level of commitment remains below 18 percent. Full funding for IDEA is critical to the parents, teachers and school administrators responsible for meeting the academic and individual needs of students with disabilities. The Administration requested \$10.68 billion for IDEA in its FY07 Budget request. In May, 39 Senators joined me in sending a letter to Senate appropriators, asking them to provide the highest possible funding level for IDEA. In FY07, IDEA will be funded at \$10.49 billion. I will continue to work with my colleagues to fully fund IDEA.

No Child Left Behind

As a parent and a United States Senator, I strongly believe that most education policy should be set at the local and state levels by those who know our children best - parents, teachers and school administrators. When I visited students throughout the year, at schools from Millard West High in Omaha to St. Joseph Elementary in York, it is clear that the federal government's role in education should be limited and well-defined. I voted against the No Child Left Behind Act in 2001 because I strongly believe the government should not mandate funding for new programs when it is unable to meet the current federal education mandates. In addition, the extensive testing requirements under the law left many schools and districts without the flexibility they need to educate their students, particularly in Nebraska. Congress is scheduled to re-authorize the No Child Left Behind Act in 2007. I will work closely with Nebraska administrators, educators, parents and students and rely heavily on their input.

Energy and the Environment

Energy Security

On August 1, the Senate passed the Gulf of Mexico Energy Security Act. I co-sponsored this bill and voted for it. The bill was signed into law by the President on December 20. This legislation allows oil and natural gas leasing in some of the most resource promising areas of the Gulf of Mexico, while preserving environmental protections and states' rights. The revenue-sharing formula that this law put in place will direct more money into the stateside Land and Water Conservation Fund, which provides grants to states for the development and conservation of public outdoor recreation areas.

This year, I will introduce legislation to forge a balanced and realistic approach to producing energy that protects the environment, expands our economy and strengthens our national security.

Renewable Fuels

While the need to increase exploration for oil and natural gas is required, we must do everything we can to expand the production and use of renewable energy resources. Renewable energy means less dependence on foreign oil and more jobs at home - both on and off the farm.

In August, I joined a bipartisan group of senators in introducing the "10 x 10 Act." The legislation would amend the Clean Air Act to require all gasoline sold for use in motor vehicles to contain 10 percent renewable fuels by 2010.

I also joined a bi-partisan group of Senators in December in introducing legislation that would authorize the Secretary of Energy to use Corporate Average Fuel Economy (CAFE) penalties to provide grants to eligible entities who install alternative fuel pumps. We must begin to expand the availability of alternative fuels to American consumers. Unfortunately, this legislation was not brought to the floor during the 109th Congress. I have re-introduced this legislation in the 110th Congress.

Health Care

Health Care Commission

Health care remains an issue that impacts all Nebraskans, whether it be senior citizens struggling with The Medicare Prescription Drug Benefit, or small business owners trying to provide af-

fordable health insurance for their employees.

In February, I empaneled a Health Care Commission with a mandate to develop recommendations for an accessible, affordable, sustainable and quality health care system for the 21st century. The Commission brought together key health care professionals and leaders from across Nebraska and the nation.

The Commission presented me with its recommendations for reform of America's health care system in February 2007. After carefully reviewing the report, I will use the Commission's recommendations as a basis for legislation that I will introduce in 2007.

Lung Cancer Resolution

The American Cancer Society estimates that over 900 Nebraskans will die of lung cancer in 2007. We have made great advancements in prostate and breast cancer survival rates; we must commit ourselves to making the same progress in lung cancer survival rates.

In March, Senator Hillary Clinton (D-NY) joined me in introducing a resolution calling on the President to declare lung cancer a national public health priority. The legislation lays out a multi-agency action blueprint for reducing lung cancer's high mortality by at least 50 percent within the next 10 years.

The University of Nebraska Medical Center (UNMC) should be applauded for their efforts to detect lung cancer through the Nebraska Early Detection and Information Technology (NEED-IT) program. It is the first statewide effort to detect lung cancer in an individual at the earliest stages through CT scans provided by hospitals across the state.

Military Personnel and Veterans

Military Retirees

America owes a great debt of gratitude to our professional service members. They have endured years of selfless sacrifice in service to our nation. It is important to remember that years of devoted service also affects their families at home. In the event of an unexpected death, these families should be guaranteed access to the benefits that were earned and purchased by the service of their loved one.

The Survivor Benefit Plan (SBP) is an insurance policy that protects the spouses and dependents of deceased, retired military personnel. Retired service members pay a monthly premium to be covered under SBP. In 2006, I co-sponsored the Military Retiree Survivor Benefit Equity Act which would repeal the mandatory Reduction in SBP annuities for retiree spouses and dependents that are also eligible for Dependency and Indemnity Compensation. I will re-introduce this legislation with Senator Bill Nelson (D-FL) this year.

TRICARE

The cost of health care for the military is rising each year. In April, Senator Frank Lautenberg (D-NJ) and I introduced the Military Health Care Protection Act. This bill would block increases to: TRICARE health insurance premiums, deductibles and co-payments; co-payments for pharmaceuticals; deductibles for in-patient care; and premiums for those in the National Guard and Reserves who are enrolled in TRICARE. The Fiscal Year 2007 National Defense Authorization Act included a provision to ban increases in these fees for one year pending a study on alternative ways to address the burgeoning cost of military health care. I re-introduced the Military Health Care Protection Act with Senator Lautenberg (D-NJ) earlier this year.

Veterans History Project

The Veterans History Project continues to record personal histories and testimonials of American war veterans. I co-sponsored the original legislation creating the Veterans History Project, and am a member of its Five Star Council. In October, I spoke at the Durham Western Heritage Museum in Omaha to promote the Veterans History Project and urge our veterans to share their invaluable insight. Americans have much to learn from those who have served our country. For more information on the Veterans History Project, visit their website at <http://www.loc.gov/vets>.

National Airborne Day

The 62nd Anniversary of United States ground combat forces using parachutes in combat was marked on August 16. Since their inception, the airborne units of the United States military have distinguished themselves in combat from World War II to the battlefields of Iraq. It is fitting for the Senate to honor these accomplishments. In March, I introduced a resolution to designate August 16, 2006 as "National Airborne Day". This legislation passed in the Senate on July 27. This year, I introduced a resolution to designate August 16, 2007 as "National Airborne Day."

Honoring Fallen Heroes

There is no excuse for the disruption of a fallen service member's funeral. In September, I co-sponsored bipartisan legislation that prohibits "the making of any noise or diversion" that disturbs the "peace or good order" of a funeral for a member of the Armed Forces. In December, this bill became law.

Federal Budget and the Economy

Tax Cuts

In May, Congress passed the Tax Increase Prevention and Reconciliation Act. I supported and voted for this bill, which provides \$70 billion in tax cuts. This bill extended tax relief from the Alternative Minimum Tax for middle-class Americans, as well as extended the capital gains and dividend tax cuts. The President signed this bill into law on May 17. This bill affects a broad range of taxpayers in Nebraska, including investors, small business owners, and middle-class families.

Trade and Competitiveness

The United States faces many difficult and complicated problems that will affect our country's competitive edge in the world. Congress must continue to lead the way in reducing barriers to trade abroad, while remaining open to foreign investment at home.

We need to help American small businesses compete in the global marketplace. In 2006, Congress re-authorized the Export-Import Bank, which helps American companies export their goods abroad. This legislation incorporated important changes that I proposed to make the Ex-Import Bank more responsive to small businesses. Over the last five years, the Export-Import Bank has supported over \$150 million worth of exports from Nebraska.

Entitlement Reform

Social Security, Medicare and Medicaid have played a vital role for millions of Americans to cope with the financial burdens of retirement and health care costs. Over the next 75 years, these three programs represent a \$42 trillion unfunded commitment for the federal government. In October 2005, I introduced legislation to create a bi-partisan Entitlement Reform Commission to comprehensively review Social Security, Medicare and Medicaid and make recommendations to sustain the solvency and stability of these programs. I will re-introduce my legislation in 2007.

Judiciary and Law Enforcement

U.S. Attorney for Nebraska

Following the appointment of U.S. Attorney for Nebraska Michael G. Heavican as Chief Justice of the Nebraska Supreme Court, the Nebraska Congressional Delegation and I recommended to the President a nominee to replace Chief Justice Heavican as U.S. Attorney for Nebraska. We chose to recommend acting U.S. Attorney for Nebraska, Joe W. Stecher. Mr. Stecher has strong qualifications and experience, and has done an exceptional job as acting U.S. Attorney. If the President nominates Mr. Stecher, I will work with my colleagues to ensure the nomination is brought to the floor of the Senate and confirmed.

Meth Abuse

Methamphetamine is a horrible and destructive drug and meth abuse continues to be a major concern for our families, schools and law enforcement officials in Nebraska. Last year, the House and Senate included the Combat Meth Act, which I co-sponsored, as part of the re-authorization of the Patriot Act. This legislation, which is now law, put medicines containing pseudoephedrine – a key ingredient in meth production – behind the counter. This bill will make important strides to reduce the domestic production of meth.

In January, I participated in the National Town Hall Meeting on Meth Awareness and Prevention. The event featured first-hand accounts from former users, as well as views from three expert panels on strategies to keep this epidemic from spreading.

In addition, I co-chaired a joint Senate Foreign Relations Subcommittee hearing with Senator Norm Coleman (R-MN) on "International Meth Trafficking" in June. This hearing examined the growth of the supply of foreign-made meth in our country and discussed U.S. efforts to address the diversion of bulk shipments of meth ingredients.

I will continue to support funding to combat the escalating threat that meth poses to our communities.



Senator Hagel with students at Saint Joseph Elementary School in York.

MAJOR ISSUES IN CONGRESS IN 2006

In Nebraska

Military Order of the Purple Heart

In August, at Veterans Memorial Park in Lincoln, I had the privilege of speaking at the Military Order of the Purple Heart ceremony honoring the memory of the heroic Nebraska men and women who have been killed in Iraq and Afghanistan. I am a two-time Purple Heart recipient from my service in Vietnam, and a proud life member of the Military Order of the Purple Heart. The 24 families that were honored all had loved ones who made the ultimate sacrifice in the defense of our country.

The greatness of our nation is found in the sacrifices made and the hardships endured in defense of something far greater than one's own self interest. The men and women of Nebraska serving in our Armed Forces are the quiet heroes of our time.

Groundbreaking of the American Heritage Center at Homestead National Monument

In 1862, President Abraham Lincoln signed into law the Homestead Act to help populate the great plains of America. The United States Congress in 1936 authorized the building of the Homestead National Monument of America in Beatrice, Nebraska to commemorate the brave pioneers who ventured to settle the plains and the west.

In April, I participated in the groundbreaking ceremony for the "Homestead Heritage Center" being constructed at the Homestead National Monument. The new "Homestead Heritage Center" will house the Homestead's collections of artifacts, interpretive exhibits, public research facilities, and administrative offices.

The completion of the "Homestead Heritage Center" is scheduled for the spring of 2007.

Wildfires

In late July, wildfires were ignited by lightning in Dawes and Sioux counties. The fires went on to burn over 65,000 acres. Approximately 800

federal, state and local firefighters responded to the wildfires. In early August, I traveled with Governor Heineman to Chadron to survey the damage and be briefed by officials on the wildfires.

The Federal Emergency Management Agency (FEMA) provided the State of Nebraska emergency fire management assistance grants to the state of Nebraska for Dawes and Sioux Counties. This enabled FEMA to cover 75% of the fire-fighter costs, while the Nebraska Emergency Management Association (NEMA) covered the remaining 25%. The United States Department of Agriculture (USDA) released Conservation Reserve Program (CRP) lands in Nebraska for emergency haying and grazing to provide some relief for farmers and ranchers from the damage incurred to pastures and grazing lands from the wildfires.

Without the tremendous initial and sustained coordinated effort between all levels of government, the destruction would have been much worse. The work done on the ground to battle these fires was heroic.

Flu Pandemic

Our nation faces a myriad of public health threats and challenges, ranging from Avian influenza, to the special needs of an aging population, to bio-terrorism. In February in Lincoln, I participated in the Nebraska State Flu Pandemic Summit with Governor Heineman, U.S. Secretary of Agriculture Mike Johanns and Health & Human Services Secretary Michael Leavitt. I spoke on the importance of preparing the public health workforce - a list of professions that includes administrators at Nebraska HHS, epidemiologists, health educators, laboratory scientists, disease investigators, to government employed doctors and nurses - for the health

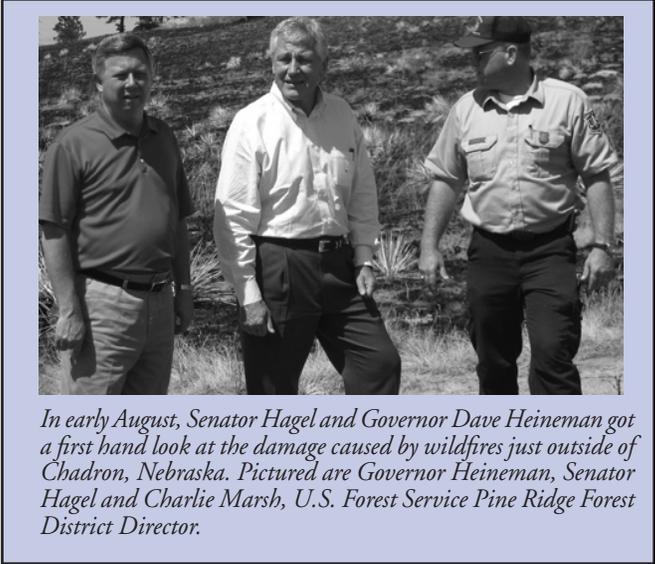
threats of the 21st Century.

The ability of the public health system to prevent, respond to, and recover from these challenges depends on adequate numbers of well-trained public health professionals. The public health workforce is our most valuable asset, and it is critical that we strengthen our public health infrastructure.

2006 Constituent Services

Every day, the staff in my four Nebraska offices help Nebraskans find solutions to problems they encounter while dealing with the federal government. My staff attends meetings and conferences all over the state to stay in close contact with Nebraskans and the agencies administering these federal programs. They also make sure that I am aware of all calls, e-mails, faxes, and letters that come into my state offices.

Since I took office in January 1997, my staff and I have given assistance to more than 20,034 individuals requesting our assistance, including roughly 4,842 veteran and military cases. Last year, my offices worked on more than 2,371 cases. We manage between 450-650 active cases on a daily basis. We will continue to be there and assist Nebraskans in every way possible. That is our job!



In early August, Senator Hagel and Governor Dave Heineman got a first hand look at the damage caused by wildfires just outside of Chadron, Nebraska. Pictured are Governor Heineman, Senator Hagel and Charlie Marsh, U.S. Forest Service Pine Ridge Forest District Director.

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