

Mr. Dennis Cullinan, Director, National Legislative Service, Veterans of Foreign Wars of the United States

STATEMENT OF

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VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS  
UNITED STATES SENATE

WITH RESPECT TO

VA's FIVE-YEAR CAPITAL CONSTRUCTION PLAN

WASHINGTON, D.C.

APRIL 6, 2006

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the 2.4 million men and women of the Veterans of Foreign Wars of the U.S. and our Auxiliaries, I would like to thank you for the opportunity to testify at today's important hearing. The VA construction budget is a critical component of the veteran's health care system, yet it is frequently the one that goes unappreciated, at least until problems arise.

VA has an aging, but massive, physical infrastructure. It cares for over 5,300 buildings and over 32,000 acres of land throughout the country. Although most attention is focused on the patient and delivery side of health care, the physical plant is often just as critical. Proper facilities and proper maintenance are essential for the effective delivery of health care to this nation's veteran population. It is precisely because of VA's aging infrastructure and because of the growing needs of veterans, that increased attention must be paid.

Unfortunately, over the last several fiscal years, major construction has lagged far behind what VA actually has needed. In fiscal year 2006, just \$607 million was allocated. In the President's budget request for fiscal year 2007, he committed a paltry \$399 million for major construction, a cut of over \$200 million. This is unacceptable.

Over the last few years, the construction budget has been overshadowed by the Capital Assets Realignment for Enhanced Services (CARES) process. CARES aims to reorganize and develop a plan for VA's physical infrastructure to properly plan for the future needs of veterans, and, in turn, to realize improved health care services. It has been a long and difficult process, but it is one that we have strongly supported.

We will continue to support CARES so long as VA returns to the primary emphasis and intent: the "ES," enhanced services, portion of CARES. We accept that locations and missions of some VA facilities may change, so long as these changes allow more resources to be devoted to

medical care rather than to the maintenance of old buildings and wasted space, as well as to accommodate modern methods of health-care delivery.

In July 2004, the previous VA Secretary testified before the Subcommittee on Health of the House Veterans' Affairs Committee with respect to the CARES process. He stated that CARES ? reflects a need for additional investments of approximately \$1 billion per year for the next 5 years to modernize VA's medical infrastructure and enhance veterans' access to care.?

Using the Secretary's estimate as a baseline, and accounting for the CARES projects already being assessed, we, as part of the Independent Budget, have called for \$860 million to be funded for CARES projects.

It is time to move forward on these projects, and we are concerned that the Administration's paltry request indicates a continued unwillingness to provide proper funding. When we supported CARES in prior years' testimonies, we warned that delays in construction were not acceptable because of our concern that funding would not be put in place once CARES was ready to be implemented. Thus far our fears were correct. It makes no sense to have spent the millions of dollars on the planning process only to shelve it and not implement it. That, too, doesn't factor in the health care resources that have been wasted as VA facilities have been forced to make do with an insufficient construction budget under the guise of waiting for CARES to play out. VA has far too much invested in this sound plan to delay and not properly carry it out.

Further, delays cost money. Construction costs have soared throughout the country, especially because of the massive rebuilding efforts in the Gulf Coast region. Construction inflation is roughly 9% nationwide, and can fluctuate regionally ? in some parts of the south, for example, inflation is over 30%. Pushing these construction projects long into the future will only increase the amount of money these projects will need in total. Delaying implementation any further would be fiscally irresponsible.

CARES is just one component of the Major Construction budget. For overall Major Construction projects, we and the Independent Budget are calling for \$1.447 billion in funding:

Construction, Major Appropriation  
FY 2007 IB Recommendation  
(Dollars in thousands)

CARES	\$860,000
Architectural Master Plans Program	100,000
Historic Preservation Grant Program	25,000
Seismic	285,000
Advanced Planning Fund (VHA)	43,000
Asbestos Abatement	6,000
Claims Analyses	3,000
Judgment Fund	10,000
Hazardous Waste	3,000
NCA	89,000
Design Fund	6,000

Advanced Planning Fund	11,000
Staff Offices	6,000
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Total, Major Construction	\$1,447,000

The President's request falls far short of that amount, providing just \$399 million for major construction, over \$1 billion short of what we feel is needed.

Of particular importance on that list is funding for seismic corrections. Currently, 890 of VA's 5,300 buildings have been deemed at "significant" seismic risk, and 73 VHA buildings are at "exceptionally high risk" of catastrophic collapse or major damage. We understand that the list of major construction priorities that VA has provided to Congress includes the seven facilities most at risk of damage. Accordingly, this will increase VA's need for construction funding. This is a chance to be proactive and fix a problem before the health and safety of VA's patients and workers is further compromised.

We also call for funding for an architectural master plan. Without this plan, the benefits of CARES will be jeopardized by hasty and shortsighted construction planning. Currently VA plans construction in a reactive manner?i.e., first funding the project then fitting it on the site. Furthermore, there is no planning process that addresses multiple projects; each project is planned individually. "Big picture" design is critical so that a succession of small projects don't paint the facility into the proverbial corner. If all projects are not simultaneously planned, for example, the first project may be built in the best site for the second project. The development of master plans will prevent shortsighted construction that restricts, rather than expands, future options. As the cost of construction rises with inflation, the importance of optimal planning becomes paramount.

We believe that architectural master planning will also provide a mechanism to address the three critical programs that the CARES study omitted. Specifically, these are long-term care, severe mental illness, and domiciliary care. These programs should be addressed as quickly as possible.

Another important issue involves the rebuilding efforts in the Gulf Coast region. Last year's disastrous storms resulted in the total destruction of the Gulfport VA Medical Center, near-destruction of the New Orleans VA Medical Center, and major damage to other VA facilities in the region. Understand that we have the deepest sympathies for the veterans and VA staff in the Gulf Coast region, but we urge Congress not to allow a diversion of funds VA needs to revamp infrastructure nationwide. The Gulf emergency must be managed with a special allocation outside VA's regular construction and medical care appropriations. It would be patently unfair to delay other projects for lack of funds necessitated by reallocation of available funds to the Gulf Coast region.

Although the focus of today's hearing is the Major Construction account, I would be remiss if I didn't take the opportunity to address one other major shortfall with VA's overall construction budget: non-recurring maintenance (NRM).

NRM is currently funded out of the Medical Care account, in a line item separate from other

construction funding. Since it's considered medical spending, it is allocated according to the Veterans Equitable Resource Allocation (VERA) formula. As such, NRM funding does not necessarily go to the hospitals that most need it. Projects are not triaged and evaluated for need as they are with VA's other construction projects. This certainly is not the most effective way to utilize these smaller, but essential, dollars.

It is especially important because NRM funding has lagged far behind what has been needed. Price-Waterhouse, following standard industry practices, has recommended that VA spend at least 2-4% of the value of its building on NRM. These small projects, such as replacing a roof or improving the fire alarm system, are necessary for the safety of patients, but also to maintain the integrity of the building so that it is viable for its entire lifespan. Accordingly, VA should spend no less than \$1.6 billion in FY 2007. Unfortunately, the Administration has only allocated \$514 million for NRM, which will only make the already backlogged maintenance lists grow.

Further, because maintenance comes out the medical care account, not the construction budget, much of the funding for the last few years has been used to provide medical care. VA needs to cover deferred maintenance. In fact, according to VA's own assessment, which is conducted on three-year cycles, the investment necessary to bring all facilities currently rated ?D? or ?F? up to an acceptable level is \$4.9 billion. There should not be a choice between fixing a roof and buying medical supplies. It is Congress' job to properly allocate funding for both.

Mr. Chairman, construction certainly isn't as high profile as medical care or claims processing, but it is an integral part of VA and how it goes about carrying out its mission. CARES has provided us with a blueprint on how to transform the system, and how to efficiently utilize our resources. Pushing forward on CARES and properly funding all necessary construction projects, although costly, is the right step to do just that.

This concludes my testimony, and I would be happy to answer any questions that you or the members of this Committee may have.