

STATEMENT OF
CHRISTOPHER NEEDHAM, SENIOR LEGISLATIVE ASSOCIATE
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

WITH RESPECT TO

VA's BUDGET REQUEST FOR FISCAL YEAR 2009

WASHINGTON, D.C.

FEBRUARY 13, 2008

MR. CHAIRMAN AND MEMBERS OF THIS COMMITTEE:

On behalf of the 2.4 million men and women of the Veterans of Foreign Wars of the U.S. (VFW) and our Auxiliaries, I would like to thank you for the opportunity to testify today. The VFW works alongside the other members of the Independent Budget (IB) – AMVETS, Disabled American Veterans and Paralyzed Veterans of America – to produce a set of policy and budget recommendations that reflect what we believe would meet the needs of America's veterans. The VFW is responsible for the construction portion of the IB, so I will limit my remarks to that portion of the budget.

The administration's Fiscal Year 2009 budget request for Major and Minor construction is woefully inadequate, especially in light of the Administration's own supporting documents. Despite hundreds of pages of budgetary documents that show a need for millions of dollars in construction projects, the administration saw fit to halve the major and minor construction accounts from the FY 2008 levels, failing to meet the future needs of our veterans. We look to you in Congress to correct this, and to advance VA's construction priorities so that future generations of veterans – those currently serving in the deserts of Iraq and the mountains of Afghanistan – can have a first-rate VA health care system that lives up to their needs.

MAJOR CONSTRUCTION

The President's request for major construction is a paltry \$581.6 million for FY 2009. This is a dramatic cut from last year's funding level of \$1.1 billion. While we appreciate that this level

covers eight medical facility projects, including three new previously unfunded projects, the total level of funding does not come close to meeting the **IB's recommendation of \$1.275 billion** in construction projects. \$476.6 million of the administration's request covers Veterans Health Administration projects, significantly lower than the \$1.1 billion that the IB has called for.

In determining our recommendations, we follow VA's prioritization process as VA discusses in its annual 5-Year Capital Plan, which is included in Volume III of the Department's budget submission.

VA determines its budget year priorities in two phases. First, partially funded projects from previous years are ordered by fiscal year and priority order. Second, newly evaluated projects from the current budget year are listed in priority order. These are combined, with the first category receiving priority over the second.

For the current year's process, VA had seven partially unfunded projects at the top of the list and chose to provide funding for five of those projects. They also began to provide funding for the top three new projects as ranked in the current fiscal year: Bay Pines, FL; Tampa, FL; and Palo Alto, CA. We certainly appreciate the progress on new construction projects as last year's funding request did not call for any new projects. We also appreciate the focus on construction and improvements to VA's polytrauma centers. We believe, however, that more can and must be done.

While the eight major construction projects might sound like a lot, the funding levels recommended for them are a tiny blip in the overall costs of those projects. If we look at just the partially unfunded projects – the backlog, if you will – even the \$320 million aimed at them barely scratches the surface. Only the Lee County, Florida outpatient clinic is funded to completion. The other four projects still require a total future funding level of \$1.26 billion. The funding for the three new projects totals \$76.8 million out of a total construction estimate of \$771 million. This is important because it means that there will be a total construction backlog of over \$2 billion when the administration prepares its request for the following fiscal year. It is increasingly unlikely that the top priority construction projects – likely to include this year's number four priority project in Seattle, Washington or improvements in Dallas, Texas or Louisville, Kentucky– will be funded in future years while VA's meager construction budget is earmarked only to prior projects, as was the case with last year's funding request.

I would refer you to the table on Page 7-12 of VA's 5-Year Capital plan for the full list of projects VA considered funding in the current year. The increase in funding that we are calling for could be applied to those prior year projects we referred to previously, or to the FY 2009 scored projects. Both categories desperately need funding beyond the Administration's request. Even an increase of about \$31 million would allow VA to begin the first stages of construction on priority projects 4-6, which typically requires 10% of the total cost estimate.

These projects are necessary to ensure that VA properly reinvests in its aging physical infrastructure. VA's facilities average over fifty years old, and VA has historically recapitalized

at a rate far below hospital industry standards. From 1996-2001, for example, VA recapitalized at a rate of just 0.64% per year. This corresponds with an assumed building life of 155 years, far beyond any reasonable expectations. VA has made progress since then, but more clearly must be done, especially if we are to live up to the promise of CARES and modernize the system so that veterans now and into the future will have first-rate health care in clean, safe, modern and comfortable facilities.

We remain concerned about the unfulfilled promise of CARES. Upon completion of the CARES decision document, former VA Secretary Anthony Principi testified before the Health Subcommittee of the House Committee on Veterans Affairs in July 2004. His testimony noted that CARES “reflects a need for additional investments of approximately \$1 billion per year for the next five years to modernize VA’s medical infrastructure and enhance veterans’ access to care.”

According to VA’s November 2007 testimony before that same Committee, Congress has appropriated just \$2.83 billion for CARES projects, far below the need to which the Secretary had testified. Further, this includes a sizeable amount for rebuilding facilities after the Gulf Coast Hurricanes – amounts we have argued that Congress should have provided as separate emergency funding, outside of VA’s regular planning process. With the FY 2008 appropriation, the total is up to \$3.9 billion – better, but still lagging.

With just \$581 million requested for major construction in FY 2009, which is far below VA’s demonstrated needs, it is clear that VA is falling short. After that five-year de facto moratorium on construction while CARES was ongoing and without additional funding coming forth, VA and veterans have an even greater need than they did at the start of the CARES process. Accordingly, we urge action to live up to the Secretary’s words by making a steady investment in VA’s capital infrastructure to bring the system up to date with the 21st century needs of veterans.

MINOR CONSTRUCTION

We also are greatly concerned with the administration’s proposed slashing of the Minor Construction budget. As with the major construction account, this cut is contrary to the information the Department provides in the total budget document. For FY 2009, the recommendation is just \$329 million, \$301 million *below* the FY 2008 level and far below the **\$621 million called for in the *Independent Budget***.

\$273 million of the request is targeted for VHA facilities and \$18 million – about five percent of the total – is allocated for staff offices to accommodate the consolidation of VA’s information technology programs.

VA has a long list of minor construction projects targeted for FY 2009. There is a list of 145 minor construction projects listed on page 7-95 of the 5-Year Capital Plan. Although there is no cost specifically associated with them, we can estimate the cost using the average cost of the scored projects from FY 2008, which can be found on page 7-90. For the FY 2008 projects listed, the average price per project is \$5.6 million. If you multiply that cost per project by the

145 proposed FY 2009 projects, VHA would require a budget of \$812 million, nearly \$500 million more than they have actually requested. We understand that VA has some carryover funding for minor construction to offset some of that balance, but even if all \$267 million of that were applied to this list of projects, VHA would still require \$545 million in funding instead of the \$273 the administration has requested.

The Minor Construction request seems even more deficient when you factor in its role with respect to the maintenance of VA's facilities. Every medical center is surveyed at least once every three years and given a thorough assessment of all component systems. These reviews comprise the Facility Condition Assessment (FCA), and the scores are used, in part, to produce the condition index of the facility, one of the benchmark statistics in VA's Real Property Scorecard. The majority of funding for projects and systems found to be deficient through the FCA is nonrecurring maintenance (NRM), but VA says that 30% of all minor construction is targeted to correct documented FCA deficiencies. In FY 2007, VA notes that its FCA backlog was well over \$5 billion in projects. Congress has done a good job to improve some of these deficiencies – notably the \$550 supplemental that was targeted towards FCA problems – but more must be done if VA is going to properly maintain its facilities.

NONRECURRING MAINTENANCE

Those FCA reviews show the importance of NRM, and the \$5 billion backlog shows how woefully deficient past NRM requests and appropriations have been. It is sad that it took the unconscionable situation at Walter Reed – a non-VA facility – to demonstrate the importance of the account. We certainly applaud VA's efforts post-Walter Reed to assess the maintenance of its infrastructure and Congress' immediate response, but it should not have come to that. The problems with the lack of NRM funding have been repeatedly pointed out in the *Independent Budget*, and we continue to ask Congress and the administration to do more.

For FY 2009, we are pleased to see that the President has requested \$802 million for NRM funding. This is in line with what the IB has called for in the past. For justification of our number, we continue to cite the Price Waterhouse review of VA's facility management programs that cited industry standards to claim that VA should be spending between two and four percent of its plant replacement value on NRM. VA accepted this recommendation and adopted it as part of its Asset Management Plan. That VA document noted that VA's plant replacement value was approximately \$40 billion, and accordingly, the NRM budget should be between \$800 million and \$1.6 billion.

With the near-\$5 billion backlog in FCA-observed maintenance needs, the proposed \$802 million is surely on the low end. That amount would allow VA to perform maintenance at current levels, but not to dip into the backlog. Accordingly, we would like Congress to increase funding for this account, as has been done in the past. We need to eliminate the backlog to ensure that veterans have health care in clean, safe, and efficient locations, and that VA properly cares for its infrastructure to ensure that it lasts for years into the future.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions that you or the members of the Committee may have.