

Deconstructing the Department of Veterans Affairs Construction Planning

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STATEMENT OF

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VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS

UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

Deconstructing the Department of Veterans Affairs Construction Planning

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MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the 2.1 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. Without adequate and accessible treatment facilities, delivery of care will be compromised. This hearing is the first step in ensuring that veterans not only receive the best care but also receive that care in a location and in a facility that best meets their needs.

VA's 2012 -2021 Strategic Capital Investment Plan (SCIP) identified 4,808 capital projects, with a price tag that ranges between \$53 and \$65 billion. All of these projects will need to be completed to close condition, utilization, access, and space gaps.

Gap Analysis

Condition:

Currently, all VISNs have at least \$100 million in "D" or "F" Facility Condition Assessments (FCA) gaps. Nine VISNs have more than \$500 million in gaps, while four VISNs have more than \$700 million in condition gaps. In VISN 3, there are \$814 million in deficiencies. This occurred because of years of under funding for non-recurring maintenance (NRM). VFW is supportive of VA's 10-year capital plan, but we believe too much of the plan hinges on out-year funding. Current funding must be increased to achieve the SCIP plan. If VA requests and Congress appropriates the funding needed to complete the SCIP action plan, deficiencies across all VISNs will be reduced to approximately \$200 million by FY2021.

Utilization:

Utilization can be broken down into two categories: inpatient and outpatient. Inpatient utilization in 12 VISNs will decrease over the next ten years, while nine will increase. Outpatient demand will increase in all 21 VISNs, with 14 VISNs projecting an increase in outpatient visits by over one million by 2018. In reviewing each of the VISN's plans to "right size" for patient demands, it appears to VFW that VA has well thought out plans to build

new and/ or reuse existing space where appropriate, lease when available, and demolish or mothball when necessary. In VA's 2012 Budget Submission, 131 vacant or underutilized assets will be repurposed for homeless housing, more than 128 will be either mothballed or demolished, and 17 will enter the extended use lease (EUL) program. Refitting and removal of these 276 buildings will save VA \$18.5 million per year in maintenance costs alone. VFW supports VA's utilization gap reduction plan, but again we believe that too much of the financial burden will be placed on the out-years.

Accessibility:

Currently, seven VISNs are not meeting the 70 percent of enrollees residing within the VA drive-time goal. Under SCIP, all VISNs will meet the goal by 2021. This is being done mostly through increasing Community Based Outpatient Clinic (CBOC) leasing, which enables VA to place clinics in communities as veteran populations shift. VFW supports VA's accessibility gap reduction plan.

Space:

Many think that space inventory needs is currently reducing; however, space inventory is at a deficit at 12 of the 21 VISNs, and VA as a whole is at 125 percent capacity. Much of the deficit is in outpatient needs. VFW agrees with VA's plan of expansion for CBOCs to close 95 percent of the space gaps currently in place or projected by 2021.

Part of space management is deciding what to do with vacant or underutilized space. VA is aggressively repurposing many of its buildings, but there is a time when demolition may be necessary. Although VFW recognizes the need for the removal of buildings, we ask VA to provide more information on what the decision process looks like during consideration, as well as a history of the building, to include what the building was last used for, how long had it been vacant or underutilized, and whether EUL was considered as an option for the property. Overall, VFW believes VA's gap analysis for future usage and property management is acceptable.

Alternative investment planning

VFW is satisfied with VA's investment evaluation and consideration process for future needs. VA generally uses five criteria to determine the best and most financially sound capital investment plan. The criteria are: status quo, renovation, new construction, leasing, and contract out. VA weighs each of these options and provides an explanation of each option and rationale of their final decision on future capital planning.

The EUL program that was originally authorized in 1991 has formed public/private ventures that have generated annual revenue, cost avoidance and savings for VA. In FY 2010 alone, \$61.5 million was off-set by EUL, and more than \$266 million has been saved since 2006. EUL is due to expire at the end of this calendar year. Without re-authorization, VA's homelessness initiative will be jeopardized. Twenty-four current homelessness EULs and the planned repurposing of more than 100 underutilized buildings will be impacted. It is vital that EUL is re-authorized to enhance services to veterans, as well as reduce capital costs to VA.

Cost analysis and risk assessment

In VA's future needs consideration, cost analysis is always a consideration. VA expertly evaluates each critical gap and determines which construction option, whether it be leasing, renovating or building a new facility, makes the best financial sense but still provides the highest quality care with the easiest access for veterans. Cost alone should never be the lone factor for determining capital needs, and VFW is please that VA appears to use patient needs as a first step in deciding how to approach future building needs.

VFW is also concerned that delays in major construction projects will cost more if the projects are delayed. Ten major construction projects were designed and ready to begin construction in 2009. In FY 2012, only two of those projects have been identified to be funded. VFW believes that major construction projects should be funded to be completed within five years of initial funding.

Project prioritization

VFW views the SCIP prioritization process favorably. Unfortunately, funding does not reflect the same level of prioritization. Unless the out-years are funded much more aggressively than the current years, VA will not be able to meet demands, facilities will require more maintenance funding, and the priority list will continue to grow.

2012 construction budget request

VFW believes the 2012 capital budget request is extremely low. The current costs to fill the gaps that have been identified - which are planned to be corrected by 2021- are estimated to be between \$52 and \$65 billion. Investing \$2.88 billion annually for the overall capital infrastructure budget will not meet the needs of those gaps. VA is admittedly back-loading the capital plan by placing more than \$16 billion in minor construction and NRM needs in the years 2017-2021. There were ten major construction projects that were schematic/design developed in FY 2009, yet only two of those projects were identified for funding in the FY 2012 budget request. VA cannot continue to push current needs to out-years. Buildings will only continue to deteriorate and the capital investment plan will only grow its deficit. VFW believes that VA's major construction account should be funded at \$1.85 billion not the administration's requested level of \$590 million. This will allow them to complete all current, partially funded projects within five years, begin providing funding for 15 new projects, and complete all currently funded seismic corrections within three years. In FY 2010, NRM received a total of \$2.1 billion. VA has requested only \$871 million for NRM in FY 2012. This will fund only 190 of the more than 4,000 NRM projects reported under SCIP. Minor construction is in better shape than major construction and NRM. Slight increases in the 2012 budget request will allow VA to easily eliminate minor construction gaps over the next ten years. Leasing appears to be on track to close all related gaps within the desired time frame.

Viability of the ten-year plan

SCIP is thorough in its examination of current and future capital asset needs. It looks at multiple gaps that reduce the safety of employees and veterans and limit access and quality

of care they are tasked to provide. VFW supports VA's SCIP 10-year plan, but recommends that funding be increased to match the infrastructure demand.

VA's capital budget plan comes from several line items: Lands and structures under medical facilities, and major and minor construction under VA construction accounts. The medical facilities account carries NRM and leasing. The FY 2010 actual for this account was \$2.3 billion, with \$2.15 billion used for NRM. The 2011 current estimate is already \$200 million above the 2011 budget estimate, coming in at \$1.4 billion. Even with this substantial increase in funding, 3,470 of the 4,808 identified capital projects within SCIP are NRM. The FY 2012 budget recommends an NRM budget of only \$868.8 million. At this funding level, it will take 24 years to complete currently identified NRM projects.

If leasing line items are funded at the Administration's requested level, VA should be on track to maintain their current leases and fund the 61 new projects in FY 2012. VA has a plan to repurpose at least 131 buildings for the Secretary's homeless initiative, and EUL is needed to facilitate most of these programs. As mentioned before, EUL is due to expire at the end of 2011. It needs to be reauthorized.

Major construction projects accounts for the largest cost in capital planning. To complete the partially funded and to fully fund the 133 new projects in the FY2012 SCIP plan, Congress will need to appropriate between \$20 billion and \$24.5 billion. VA plans to invest only \$725 million- \$545 million through appropriations request and \$135.7 million in prior year unobligated funds- for major construction projects in FY 2012. At this pace, it will take about 30 years to fully fund VA's 10-year plan.

VA estimates that current and future minor construction projects will cost between \$8 billion and \$10 billion. Again, funding requests fell far short at only \$550 million for FY 2012. At this pace, VA will take 14.5 years to reach its 10-year capital plan. Minor increases in current years will reduce the burden of these projects in out-years.

VFW believes the SCIP 10-year capital investment plan by itself is a solid plan. However, implementation of the plan is flawed. Asking for extremely low construction funding levels will cause the plan to fail. Closing access, utilization and deficiency gaps will only happen if

Congress is committed to providing approximately \$3.5 billion per year from FY 2017-2021 for minor construction and NRM alone.

In closing, VFW is impressed with the breadth and depth of VA's gap analysis and their process of determining corrective actions for those gaps. However, VFW would like to see more information on the building disposal process, as well as requests for funding that will set VA's capital plan on the right trajectory. VFW also requests that this Committee and Congress as a whole take a serious look at the long-term effects of not having a viable capital infrastructure for VA. Partnerships with medical universities will fade, training and recruitment of doctors will diminish, and vital research - which has been a tremendous recruitment tool for VA - will not be productive. VFW understands the Nation's financial trouble, reducing VA capital infrastructure spending will have second and third causes of effect that will cost taxpayers more in the long-term. There is no short-term fix to the VA infrastructure problem, so we must stop looking for one and begin funding VA construction at an appropriate level to set VA on a path of correcting gaps so current and future veterans will receive the care they earned and deserve.

Mr. Chairman, this concludes my testimony, I will be happy to answer any questions you or the Committee may have.