

STATEMENT OF
DENNIS M. CULLINAN, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

THE DEPARTMENT OF VETERANS AFFAIRS' CONSTRUCTION
BUDGET REQUEST FOR FISCAL YEAR 2003

WASHINGTON, D.C.

FEBRUARY 13, 2002

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

On behalf of the 2.7 million members of the Veterans of Foreign Wars of the United States (VFW) and its Ladies Auxiliary, I would like to thank you for the opportunity to participate in today's hearing. The VFW's primary contribution as a member of the *Independent Budget* is an assiduous analysis of the Department of Veterans Affairs' (VA) construction programs. Therefore, as in years past, I will confine my remarks to this particular area of the VA budget.

As this committee is well aware, VA possesses an immense, aged infrastructure that is in need of urgent funding. We applaud you, Mr. Chairman, the members of this committee, and the full House of Representatives for actions undertaken to correct VA's construction budget shortfalls. The *Independent Budget* was pleased to endorse H. R. 811, *Veterans Hospital Emergency Repair Act*. We can assure you that we will continue to fight for its passage in the Senate this session.

Unhappily, we again find that VA's budget request for fiscal year (FY) 2003 as it pertains to construction programs is inadequate. The administration is requesting \$194 million (numbers are rounded up or down) for major construction, up \$11 million over FY 2002 funding, while funding for minor construction remains nearly flat-lined at \$211 million. An \$11 million increase is hardly sufficient to sustain and improve nearly 1,300 care facilities, including 163 hospitals, 800 ambulatory care and community-based outpatient clinics, 206 counseling centers, 135 nursing homes, and 43 domiciliary facilities.

In fact, VA's capital asset value is in a constant state of deterioration. For nearly five years we have cited an independent study conducted by Price Waterhouse that concluded VA should be investing an amount equal from 2 to 4 percent of the value of its facilities to maintain (nonrecurring maintenance) and another 2 to 4 percent to improve them. That means VA should be investing roughly a minimum of \$700 million annually on just upkeep. Yet a quick analysis of VA's construction budgets since the 1998 study was published show us that VA received an average of \$291 million a year for both major and minor construction since FY 1999; and if we figure in the FY 2003 proposal, it would bring the five-year average to \$314 million. These figures represent less than half the recommended investment and have forced VA to delay high priority projects and other renovations to meet basic patient safety standards.

Recognizing that VA has undergone a major transformation in its health care delivery process (primarily inpatient-based to outpatient-based) and noting a Government Accounting Office (GAO) report that "without major restructuring, billions of dollars will be used in the operation of hundreds of unneeded VA buildings" and "restructuring... could reduce budget pressures or generate revenues that could be used to enhance veterans' health care benefits" we continue to be supportive of VA's Capital Assets Realignment for Enhanced Services (CARES) process.

We note that CARES remains behind schedule while needed construction is being held hostage. The *Independent Budget* recommends that VA immediately identify all the facilities that will certainly be retained and allow construction of already approved and/or urgently needed projects to improve patient safety and environment. Further, property divestures should be placed on hold until a comprehensive capital assets plan is formulated. As always, stakeholders need to be included and consulted in every step of the process.

Of great concern to the *Independent Budget* is that veterans and staff continue to occupy high-risk buildings. We have identified and expanded our list to 73 facilities that are subject to collapse or serious structural damage from an earthquake. We commend VA for funding seismic corrections in four of its California-based facilities in its FY 2003 budget request. We, however, remain perplexed that one year after experiencing a 6.8 magnitude earthquake, the American Lake VA Medical Center in Washington has yet to receive a dime for structural repairs to its main hospital and nursing home.

In order for VA to properly operate, maintain and improve its facilities, the *Independent Budget* recommends a minimum of \$800 million for major and minor construction projects for FY 2003. It is important to keep in mind that the administration's request is \$400 million for FY 2003.

For major construction, we recommend that Congress appropriate \$400 million, \$217 million higher than FY 2002. A majority of this funding request, \$250 million, is needed for seismic corrections. Earlier in our testimony we noted our pleasure that VA is requesting major construction funds for seismic corrections, and we are also happy to see funding requests for national cemetery expansion.

We have also recommended \$400 million for VA's minor construction account. This represents an increase of \$190 million. This increase will support construction projects for

inpatient and outpatient care support, infrastructure and physical plant improvements, research infrastructure upgrades, and an historic preservation grant program to protect VA's most important historic buildings. In order for VA to more effectively carry out these projects we recommend raising the ceiling on minor construction projects from the current \$4 million per project to \$16 million per project. As we have testified in the past, the current limitation results in a piecemeal approach to design and completion of projects that adds unnecessary delays, facility disruptions, and promotes poor fiscal management practices.

Other construction items recommended for increased funding include grants for state extended care facilities and state veterans' cemeteries.

As stated previously, we believe the administration's request is inadequate as it pertains to VA's construction programs. Further, we believe we have presented compelling evidence such as patient safety, asset management, and continued access to support our proposed increase. Therefore, we look to Congress to correct this shortfall. The passage of H. R. 811 is a good step in that direction and a valid attempt to forestall the continued deterioration of VA's infrastructure. Yet without continued increases in construction appropriations to sustain VA facilities during the CARES process, there will be a need for legislation such as H. R. 811 every year in addition to appropriations. We look to the leadership of this committee to ensure adequate funding for Major and Minor Construction so that VA may realize its potential without compromising veterans' services.

Mr. Chairman, this concludes my statement and I will be pleased to answer any questions you or members of the committee may have.