

CRITICAL ISSUE 3

Maintaining VA's Critical Infrastructure

To provide high-quality, accessible care, the Department of Veterans Affairs must receive adequate funding to maintain current structures and reduce the backlog of critical infrastructure gaps in utilization, space, condition, and safety that are outlined in VA's Strategic Capital Investment Plan.

As the Department of Veterans Affairs strives to improve the quality and delivery of care for our wounded, ill, and injured veterans, the facilities that provide that care continue to erode. With buildings that have an average age of 60 years, VA confronts a monumental task of improving and maintaining these facilities. Since 2004, utilization at VA facilities has grown from 80 percent to 120 percent, while the condition of these facilities has eroded from 81 percent to 71 percent over the same period of time. It is important to remember that VA facilities are where our veterans receive care, and that these facilities are just as important as the physicians, nurses, and other VA staff who deliver that care. Every effort must be made to ensure that these facilities remain safe, workable, and sufficient environments for delivery of that care. A VA budget that does not adequately fund facility maintenance and construction needs will reduce the timeliness and quality of care for veterans.

The vastness of VA's capital infrastructure is rarely fully visualized or understood. VA currently manages and maintains more than 5,600 buildings and almost 34,000 acres of land. Although VA has addressed a number of critical infrastructure needs, more than 3,900 remain. These repairs and other improvements will cost up to \$66 billion (including \$11 billion in activation costs).

With shrinking requests and appropriations from the Administration and Congress, VA is falling behind in meeting known safety, utilization, and access needs. To maintain VA infrastructure in its current condition, VA's nonrecurring maintenance (NRM) account could justify \$1.35 billion per year. The account is currently being funded at \$712 million. More funds, from \$19 billion to \$23.3 billion, will need to be invested to prevent the documented NRM backlog from growing even larger.

VA's commitment to investing in major construction continues to trend in the wrong direction. Congress appropriated more than \$1.1 billion for the major construction account in FY 2011. In FY 2014, VA requested \$342 million. To finish existing projects and to eliminate current and future deficits outlined in VA's Strategic Capital Investment Planning (SCIP) process, VA will need to invest between \$19 and \$23.3 billion over the next 10 years. At currently requested levels, more than 50 years will be required to complete VA's so-called "10-year plan."

To close all the minor construction appropriations gaps within VA's 10-year plan timeline, VA would need to invest between \$6.8 and \$8.3 billion over the next decade to meet its 10-year goal. Over the past few years Congress has appropriated increasingly higher levels of funding. In FY

2011, Congress appropriated just \$468 million; in FY 2014 VA requested \$714 million. If VA continues to request this level of funding and Congress appropriates the request, VA could meet its SCIP program goals.

A fourth cornerstone to VA's capital planning is leasing. The current leasing policy calls for little more than \$2 billion over the next 10 years. The vast majority of these leases are for community-based outpatient clinics. Leasing these types of properties provides the advantage of quick, accessible health care for veterans.

Unfortunately, a policy shift by the Congressional Budget Office (CBO) in 2012 has effectively halted Congressional authorization of leases for such new clinics. Also, as old leases expire and need reauthorization in future years, this CBO decision jeopardizes existing VA-leased health, research, and other facilities.

Last year the CBO announced that it would redefine 15 VA-proposed leases as "capital" leases and would treat them as current-year mandatory obligations, costing more than \$1 billion over a 20-year period. In order to advance these leases to approval, House budget rules would require an offset equal to the cost of these leases with an unrealistic FY 2013 reduction in mandatory veterans' programs. Since no such accommodation could be made in a single year, and VA had not addressed such an offset in its FY 2013 budget, the proposed lease authorizations were dropped from the authorizing bill. These 15 proposed community facilities, along with the 13 proposed leases for FY 2014, are now in limbo, and veterans are not being served.

The CBO's policy must be addressed in consultation with VA and the Office of Management and Budget. *The Independent Budget* veterans service organizations (IBVSOs) ask that the Administration and Congress take action that results in the authorization of the 15 clinics still in limbo since 2012, along with the additional 13 proposed in VA's budget for FY 2014, and, in general, to find the means to allow VA's leased facilities to continue to provide flexible, low-cost VA care to wounded, injured, and ill veterans. The current situation is unacceptable and must be remedied.

High-quality, accessible health care continues to be the focus of the IBVSOs. To achieve and sustain that imperative goal, VA must make large capital investments. Presenting a well-articulated, completely transparent capital asset plan is important. VA has developed such a plan and is to be commended, but funding that plan is imperative to close the access, utilization, and safety gaps in VA's capital infrastructure. If VA does not request and Congress does not appropriate much higher levels of funding, veterans will suffer as a consequence.

Special Note on Research Laboratory Infrastructure

At the urging of the House Committee on Veterans' Affairs, in 2012 VA released its long-awaited internal review of capital needs for VA research laboratories and other space in which VA researchers conduct important research projects. The report, completed by three different outside reviewers retained by VA over a six-year period, found that VA facilities need approximately \$774 million to bring 74 research laboratories up to standard for life safety,

efficiency, air and contaminant control, and numerous other needs that are critical to sustain the excellence of this program for sick and disabled veterans.

Most of these funds would be categorized in maintenance and repair and minor construction, but in several instances major construction funding perhaps would be the optimum recourse to correct the thousands of deficiencies noted by reviewers. No recent Administration has requested capital funds in the budget to support VA research, and Congress has provided no funding dedicated to correcting research facility deficiencies, or to build new VA research facilities. While VA has provided about \$272 million between fiscal years 2007 and 2011 for emergency and urgent repairs and other projects in these laboratories, a major initiative needs to be launched to bring the remaining key activities up to par.

Recommendations:

Congress must significantly increase funding for nonrecurring maintenance to maintain current and future infrastructure, as well as invest in reducing the current \$21.5 billion NRM backlog.

VA should include the plant replacement value in its annual capital-funding plan.

Congress must increase funding for the VA major construction account in an effort to close the gaps in major construction within 10 years.

VA's minor construction account must be funded at a level over the next decade to close known gaps and facility deficiencies.

VA must continue its transparency in leasing and ensure that the inpatient access needs of veterans will not be jeopardized if and when leases expire. The Administration and Congress should resolve together the current policy that will prevent further leasing options for establishment of new VA leased facilities.

The Administration should request, and Congress should appropriate, funds to address at least the worst of the known deficiencies in VA's research laboratories as depicted in the external report cited, in particular those deficiencies that create life-safety threats to VA researchers and other VA staff who are required to work in these potentially hazardous environments.