S. HRG. 109–561

HEARING ON CONSTRUCTION AND LEASE AUTHORIZATION NEEDS OF THE DEPARTMENT OF VETERANS AFFAIRS

HEARING

BEFORE THE

COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES SENATE

ONE HUNDRED NINTH CONGRESS

SECOND SESSION

APRIL 6, 2006

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APRIL 6, 2006

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WITNESSES

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HEARING ON CONSTRUCTION AND LEASE AUTHORIZATION NEEDS OF THE DEPARTMENT OF VETERANS AFFAIRS

THURSDAY, APRIL 6, 2006

U.S. SENATE,
COMMITTEE ON VETERANS' AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:04 p.m., in room SR–418, Russell Senate Office Building, Hon. Larry E. Craig, Chairman of the Committee, presiding.

Present: Senators Craig, Burr, Ensign, Thune, Akaka, Murray, and Salazar.

OPENING STATEMENT OF HON. LARRY E. CRAIG, CHAIRMAN, U.S. SENATOR FROM IDAHO

Chairman CRAIG. The Senate Committee on Veterans' Affairs will come to order.

Good afternoon, ladies and gentlemen and my colleagues who have joined me.

The Committee today will review and consider VA's request for the authority to enter into certain capital construction projects and leases. It is the Committee's next hearing in a series of examinations of VA's plans to improve both access to and the quality of veterans' medical care.

We know that over the past half century there has been a migration movement in America. The general population is moving from the Northeast to the South, to the Southwest, and certainly to the West.

At the same time, the practice of medicine in this Nation has changed rather dramatically, but no more so than the demographics of the veterans population. And they will continue to change in the future.

Regrettably, the declining veterans population is due to the passing of many of the World War II veterans. Korean veterans now join that age group, and we are losing 1,800 veterans a day.

VA facilities were designed and built in an era when medical care was synonymous with hospital care. VA's health care commitment to most veterans was defined as access to a hospital bed to the extent that beds were available.

In many cases, VA's facilities are located where veterans used to live, not where they now live. VA's medical system has drastically changed over the past few decades.

Prior to the mid-1990s, there were virtually no outpatient clinics in the VA health care system. Today, there are over 800. Today, outpatient services outpace inpatient care.

The Capital Asset Realignment for Enhanced Services process, known as CARES, was designed in part to address the changes in the demographics of our veterans' population and follows America's medicine's transformation from hospital-centric to patient-centric delivery of care.

It is VA's comprehensive national plan to modernize its medical facilities. As is the case with any systematic nationwide effort, this is a journey that must be entered into judiciously. We are committed to working with VA to successfully see the CARES plan through, and it is this Committee's responsibility to authorize the necessary CARES initiatives.

That is why we are here today. We are back together to ensure that CARES implementation is done and done properly. When the process is complete, the result must be that veterans will have improved access to a much more modern health care system.

Title 38 requires statutory authorization for all VA major medical facility construction projects, defined as those which cost more than $7 million, and for all major medical facility leases, defined as those which cost more than $600,000 annually, prior to the appropriation of funds.

These projects are in need of immediate fiscal year (FY) 2006 authorization—New Orleans, Louisiana; Biloxi, Mississippi; and Denver, Colorado. In addition, three leases require authorization for fiscal year 2006—Baltimore, Maryland; Evansville, Illinois; and Smith County, Texas.

Further, Public Law 108–170 authorizes VA to carry out any major medical facility construction projects consistent with the final CARES decision. However, the authority under the law expires on September 30th of this year.

Eighteen major medical facility construction projects that were authorized as part of the final CARES decision, but for which it is unlikely that contract awards will be accomplished, are in jeopardy of coming to a halt. Ensuring no delay on these particular projects is my priority as we move forward with the authorization process.

We are privileged today to be joined by several of our colleagues. Senator Wayne Allard—we welcome you, Wayne. We will look forward to your remarks about the impact of authorization on Colorado.

Senator Martinez and Senator Nelson, thank you for joining us to comment on Florida's needs. We also have a couple of Members of this Committee that may want to comment on projects within their State.

Following our panel of colleagues, we will receive VA testimony from Dr. John Perlin, Under Secretary of Health, who is accompanied by several of his colleagues, as well as Dennis Cullinan, director of National Legislative Service for the Veterans of Foreign Wars.

Gentlemen, I want to welcome all of you. I look forward to your testimony.

Now let me turn to my colleagues. My Ranking Member, Senator Akaka, is not yet here. So, Wayne, I will turn to you for your testimony.

Senator Wayne Allard of Colorado.

STATEMENT OF HON. WAYNE ALLARD,
U.S. SENATOR FROM COLORADO

Senator ALLARD. Mr. Chairman, thank you very much.

First, I want to tell you how much I, for one, and the veterans of Colorado appreciate your leadership on veterans' issues and your concern about veterans throughout the country. You certainly are to be commended for your dedication to that group of Americans who have done so much to make sure we have a secure Nation.

Thank you for giving me the opportunity to present before the Committee an issue of importance to the veterans of Colorado. I strongly support replacing the current Denver VA medical center with a new facility at the former Fitzsimons Army Medical Center.

The Denver VA hospital was built more than 50 years ago, and medical technology has far surpassed what the builders of the Denver VA originally envisioned. While I cannot say enough about the care and service our veterans receive at the current facility, many changes and improvements can and should be made, and a new facility is the only way to accomplish these goals.

The current construction plans present credible proof that a new Fitzsimons facility will increase health care quality and quantity for our veterans. It is my hope that a new hospital will also serve as a regional beacon for modern veteran medical care, and science throughout the VA, and provide a unique collaboration with the University of Colorado.

The Denver VA, the University of Colorado Health Sciences Center, and the University of Colorado Hospital already have a complex and rewarding partnership in meeting veterans' health care needs in the region.

The University of Colorado strongly supports the move of the existing Denver VA medical facility to the Fitzsimons campus in Aurora, Colorado, and looks forward to strengthening their partnership with the Veterans' Administration, allowing each entity to focus on its strengths.

Of course, the biggest endorsement of this new facility comes ultimately from the end-users. The United Veterans Committee of Colorado, a coalition of 45 federally chartered veteran service organizations, strongly supports the relocation of the Denver VA medical center to the Fitzsimons campus.

As you know, Mr. Chairman, at last week's Military Construction and Veterans' Affairs Appropriations hearing with Secretary Nicholson, the Secretary stated that in order to move forward with the project, an immediate need must be met. This need is acquiring the land on which the new medical facility will sit.

The VA has reached agreement with the Fitzsimons Redevelopment Authority, the entity that manages the land at the former Fitzsimons Army Medical Center, on a site and a price, but they need new authority to proceed with the purchase.

I would also stress that while the VA has this agreement in place with the Fitzsimons Redevelopment Authority, the FRA is anxious

to move forward with the sale and has set a deadline of August 2006 to finalize the contract for the desired site.

It is an important point that prior to the current site selection, the FRA had originally planned to use the land for hotel and retail space, but now will use all proceeds from sale to acquire other property for these properties. As you can imagine, the FRA is rather anxious to move ahead with the sale as soon as possible.

I have a full statement here, Mr. Chairman, and I would request that the—well, let me see how much. I have got about two-and-a-half pages. It looked like my time might be expiring. Do you have time for that?

Chairman CRAIG. Your full statements will all be a part of the record.

Senator ALLARD. Thank you.

Chairman CRAIG. If you could summarize, I think we would appreciate it. We have got some of our colleagues here on the Committee that also have a time crunch. That would be appreciated.

Senator ALLARD. Well, thank you very much. Thank you very much, Mr. Chairman.

I just want to recognize, in closing, the strong support of my colleague from Colorado, Senator Salazar. Without a bipartisan effort, we would not have been able to close this on realizing our goal. I look forward to working with the Committee on my legislation to make this project a reality.

[The prepared statement of Senator Allard follows:]

PREPARED STATEMENT OF HON. WAYNE ALLARD, U.S. SENATOR FROM COLORADO

Thank you, Mr. Chairman, for giving me the opportunity to present before the Committee on an issue of much importance to the veterans of Colorado. I strongly support replacing the current Denver VA medical center with a new facility at the former Fitzsimons Army Medical Center.

The Denver VA hospital was built more than 50 years ago and medical technology has far surpassed what the builders of the Denver VA originally envisioned. While I cannot say enough about the care and service our veterans receive at the current facility, many changes and improvements can and should be made, and a new facility is the only way to accomplish these goals.

The current construction plans present credible proof that a new Fitzsimons facility will increase healthcare quality and quantity for our veterans. It is my hope that a new hospital will also serve as a regional beacon for modern veteran medical care science through the VA's unique collaboration with the University of Colorado.

The Denver VA, the University of Colorado Health Sciences Center and the University of Colorado Hospital already have a complex and rewarding partnership in meeting veterans' healthcare needs in the region. The University of Colorado strongly supports the move of the existing Denver VA medical facility to the Fitzsimons Campus in Aurora, CO and looks forward to strengthening their partnership with the Veterans Administration, allowing each entity to focus on its strengths.

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It is an important point that prior to the current site selection, the FRA had originally planned to use the land for hotel and retail space but now will use all proceeds from sale to acquire other property for these properties. As you can imagine, the FRA is rather anxious to move ahead with the sale as soon as possible.

Of course, in addition to the immediate authority for site purchase before this August deadline, a larger issue remains: that of the authority for the VA to move forward with the entire construction project. To that end, I have recently introduced legislation, S. 2547, which would accomplish both of these objectives.

Specifically, the language of bill S. 2547 authorizes the Secretary to carry out the entire project and provides authority to the VA purchase the land with current year dollars. An identical companion proposal was also introduced in the House by my colleague, Congressman Bob Beauprez, who has been a stalwart on this issue. I would like to specifically recognize Congressman Beauprez for his efforts and leadership on this project, which will impact not only his constituents but veterans in the entire Rocky Mountain region.

There was a time not too long ago that it looked like this project was in peril. Thankfully, early last year Secretary Nicholson brought a much-needed, fresh perspective to this project. He made it a priority and made it clear to the entire Colorado delegation that he would pursue every opportunity to make the project a reality, and I thank him for that.

In addition, finding a suitable site for the project was of utmost importance. Without the hard work and diligence of the Fitzsimons Redevelopment Authority and its chairman, city of Aurora Mayor Ed Tauer, an agreement would not have been reached.

Again, I thank you Chairman Craig, for the opportunity to speak here today. I would also like to recognize the strong support my colleague Senator Salazar has shown for this project. Without a bipartisan effort we would not be this close on realizing our goal.

I look forward to working with the Committee on my legislation and making this project a reality.

Chairman CRAIG. Senator Allard, thank you very much.

Senator Martinez, we are going to break in for a moment here. My Ranking Member has just arrived, Senator Akaka. Senator Salazar does have a time crunch, and I thought maybe we could squeeze the Fitzsimons testimony together here.

Let me turn, first of all, to the Ranking Member of the Committee, Senator Akaka, for any opening comments. Then let me turn to Senator Salazar and, certainly, to Senator Murray for any opening comments she may have. Then we will return to our panel.

Senator Akaka.

STATEMENT OF HON. DANIEL K. AKAKA, RANKING MEMBER, U.S. SENATOR FROM HAWAII

Senator AKAKA. Thank you very much, Mr. Chairman.

I welcome our witnesses to today's hearing. As always, I appreciate the work of Chairman Craig.

Today, we will look at VA's 5-year capital plan. My remarks will focus exclusively on CARES and enhancements funded by that plan. The goal of CARES is a good one: reduce the level of resources spent on underused, inefficient, or obsolete buildings and reinvest savings in providing health care more efficiently.

Much of the impetus for VA's asset realignment was GAO's assertion that VHA was wasting as much as $1 million a day in unneeded and unutilized capital assets. This $1 million a day figure took on a life of its own over the years, even though the figure was, at best, suggestive and based on a very limited sample.

It is certainly true, however, that VHA will spend billions of dollars operating, maintaining, and improving buildings and land at health care delivery locations nationwide.

When CARES began, VA's health care capital assets totaled over 4,700 buildings and 18,000 acres of land at 181 major delivery locations. These numbers have not changed since GAO's 1999 assertion.

While I would suspect that few would disagree that VA's current physical plant is not ideal, I am certain that figuring what it should be even after the question of which veterans are to receive what care is resolved is very challenging.

Some have argued that buildings no longer embody modern medical care. This ignores the reality that all VA care is furnished in some sort of facility, whether VA-owned or leased or owned by others. The cost associated with a facility is an element of the overall cost of care.

CARES has had its ups and downs. It began with an amazing amount of attention paid to the comments of stakeholders. Half way into the process, two dozen facilities were told to go back to the drawing board and present new plans for closures and reductions. The request for these revisions came through last-minute phone calls and internal mandates. Today, VA is restudying plants in all of these places, including Manhattan and Walla Walla.

I understand, however, that this follow-up work has stalled. We also know that CARES deliberately excluded the potential for much needed long-term care and outpatient mental health treatment.

After all this time, we need this process to be successful. If sufficient resources are not dedicated to CARES enhancements, the entire process will ultimately be interpreted as just one more blow to veterans.

The cost of CARES improvements will total more than $4.6 billion. We need to ensure that appropriate resources are allocated to this process, and I am pleased about the level of funding that has been directed at CARES projects thus far. We must keep up this pace.

Chairman Craig, I ask that a statement from Senator Reid be entered into the record, expressing his support for the Las Vegas project.

I thank you and look forward to a hearing and the testimony from all the panelists.

Thank you very much, Mr. Chairman.

[The prepared statement of Senator Reid follows:]

PREPARED STATEMENT OF HON. HARRY REID, U.S. SENATOR FROM NEVADA

Mr. Chairman, I would like to thank you and the Ranking Member Senator Akaka, for allowing me to make a few brief remarks today at this extremely important hearing about the CARES program and Major Medical Construction.

Taking care of veterans is the right thing to do. We must never forget the sacrifices they made to protect our freedom. These people served because they love America, and we must honor their service by keeping America's promise to them, a promise that includes providing quality health care.

As you know Mr. Chairman, Las Vegas continues to be the fastest growing city in the Nation. As a result, southern Nevada has the fastest growing veteran population in the country. Current statistics show in the next 3 years there will be a 50 percent increase in the Las Vegas area veteran population.

I am delighted the Veterans' Administration will develop a Medical Center Campus in Las Vegas that will include a new hospital, nursing home and outpatient clinic. These facilities are desperately needed and were validated during the CARES process in 2003. Our veterans are finally going to get the kind of care they deserve.

I applaud the Veterans' Administration for taking this action on behalf of Nevada's veterans.

A campus like this will be a magnificent addition to the Las Vegas Valley. It will be modern and full-service, and will allow for incredible research and collaborative opportunities with doctors, scientists and university researchers from across the state. The bottom line for veterans is that they will have access to first-rate health care in a centralized, modern facility.

While I am extremely pleased that the Veterans' Administration has kept this facility on their high priority list, I hope they will continue to move forward and expeditiously complete this project.

Our veterans have done so much for the freedom and security of our country. We can never fully repay them for their service. But the work you do here will at least ensure they get the health care they were promised and deserve.

Thank you again, Mr. Chairman and Senator Akaka, for allowing me to make this brief statement today.

Chairman CRAIG. Danny, thank you very much.

Now let me turn to Senator Ken Salazar of Colorado, a Member of the Committee. Ken, please proceed.

Senator Salazar. Thank you very much, Chairman Craig.

I have a longer opening statement, and I will just submit that for the record, if that is acceptable?

Chairman CRAIG. Without objection. Of course.

STATEMENT OF HON. KEN SALAZAR,
U.S. SENATOR FROM COLORADO

Senator SALAZAR. Let me make two comments. First, the bipartisanship, Mr. Chairman, which you show on this Committee, I think is exemplary.

I see others around this table on our Veterans' Affairs Committee who walk the talk of bipartisanship every day, including my two good friends from Florida, who are currently in the middle of trying to figure out this enormous issue on immigration that faces our country. I appreciate the example, Senator Craig, that you and Senator Akaka set for all of us here.

Secondly, let me focus in on the Veterans' Administration hospital facility at Fitzsimons. It is a very important project, and it is an important project for the entire Rocky Mountain region. It is part of a project that will go into a crown jewel of health facilities in the Rocky Mountain region and will afford highly needed services to the veterans not only of Colorado, but the surrounding States.

I am honored to join with my colleague from Colorado, Senator Allard, in pushing this project forward. It was only about a year ago when it seemed that Humpty Dumpty was falling apart because there were so many different people who had different points of view as to where it ought to go, what kind of acreage ought to be allotted to the project.

It was in a meeting that was pulled together by myself and Senator Allard in Denver, I think, in January or February of last year where we started the ball rolling to get the kind of consensus that we currently have.

This is a very important project. I know there are still many steps along the way toward getting to a completion of a project or the authorizing legislation needs to move forward through this Committee.

I support the legislation that was introduced by Senator Allard with respect to the veterans hospital at Fitzsimons, and I look forward to working with this Committee to make it a reality.

With that, Mr. Chairman, I thank you for letting me interrupt the flow here so I can go and present a bill in another committee.

Thank you very much.

[The prepared statement of Senator Salazar follows:]

PREPARED STATEMENT OF HON. KEN SALAZAR, U.S. SENATOR FROM COLORADO

Thank you, Chairman Craig and Senator Akaka for holding today's hearing. The way the VA manages its capital assets is critical to the way it provides services to veterans, because it gets at the heart of how efficiently and effectively the department allocates resources.

While much of this subject deals with the details of investment and management, we must remember that the underlying purpose of this hearing—and of the work of this Committee—is to ensure that our government provides the best possible services to the men and women in uniform who have sacrificed so much in service of our great country.

I also want to thank our witnesses for sharing their views on this critical issue with us today. In particular, I want to thank the senior Senator from my State of Colorado, Senator Wayne Allard, for being here today to talk about a project that is close to our heart, and close to the hearts of veterans in our State and region.

It is simple: if the Federal Government is spending too much money on old, underused, and inefficient facilities and equipment, then it is not doing all it can to ensure that quality health care and benefits services are being provided to our veterans.

We have a long way to go on this front. Unfortunately, this is especially true in my home State of Colorado. The existing VA medical facility in Denver is aging, and the equipment, personnel, and patient load are outgrowing its current capacity at an alarming rate. Our veterans need a new, high-quality medical facility now.

I am pleased that the CARES process recognized this fact and made a new VA hospital in the Denver area a top priority. I am also pleased that, after months of difficult negotiations, the stakeholders appear to be moving toward a deal that will make this hospital a reality.

When I first came to the Senate 15 months ago, the outlook was not so rosy. The deal that VA and the University of Colorado had in place had stalled, and the fate of the project was in question.

That's why, within weeks of being elected to the Senate, along with Senator Allard, I worked to bring together Democrats and Republicans; Federal, State, and local government officials; and the public and private sector to hammer out their differences for the sake of our veterans and the promises we have made to them.

I appreciate the willingness of everyone in Aurora, the University of Colorado Health Sciences Center, the VA, my colleagues in the House and Senate, and others to work together toward a shared goal. I am confident we can make this project one of the Crown Jewels of our veterans' health system.

While I am pleased that the project is back on track and continues to make progress, we still have work to do. Legislation to authorize funding for these projects, which this Committee will consider, is the next step in the process, and I will work to ensure it authorizes the resources the VA needs to move forward on the Ftizsimons project.

I cannot overstate how important this project is to the veterans of Colorado and the surrounding region. There are almost half a million veterans in my State, and for many of them, the Denver facility is the closest VA hospital.

In addition, Denver is the metropolitan center for the Rocky Mountain region. Veterans residing in Colorado and the surrounding States deserve a state-of-the-art facility within a reasonable distance of their homes, and they deserve to know that the VA hospital in the closest major city is equipped to provide the highest-quality care available. I urge my colleagues to work with Senator Allard and me to accomplish these goals by supporting the construction of a new facility at Fitzsimons.

Thank you again, Chairman Craig and Senator Akaka, for the opportunity to address this issue today, and for all the work you do on behalf of our Nation's veterans. I look forward to a productive hearing.

Chairman CRAIG. Thank you, Senator Salazar.

Now,let me turn to Senator Patty Murray of Washington.

Patty.

Senator MURRAY. Mr. Chairman, I do have an opening statement, but I would be happy to defer to the Senators from Florida and make mine before Dr. Perlin makes his.

Chairman CRAIG. OK. Without objection, we will proceed in that manner. Thank you, Senator Murray, for that consideration.

Then let me turn to Senator Mel Martinez of Florida and his colleague, Senator Bill Nelson. Thank you both, gentlemen.

Mel, please proceed.

STATEMENT OF HON. MEL MARTINEZ,
U.S. SENATOR FROM FLORIDA

Senator MARTINEZ. Thank you, Mr. Chairman. I appreciate very much your holding this important hearing.

Ranking Member Akaka, it is great to be in your Committee.

I am delighted to be here with my senior colleague from the State of Florida, Senator Nelson, on a matter that we both share great concern and interest in.

Mr. Chairman, more than 1.8 million veterans reside in the State of Florida, and more veterans are choosing to call Florida home each and every day.

Over the past 10 years, outpatient visits to Florida's veteran health centers have more than doubled. More than 10,000 veterans from the global war on terror have sought medical care through the VA in the State of Florida.

Securing plans for a new VA hospital has been one of my top priorities since before I came to office and remains a top priority today. As former Orange County mayor, I saw firsthand the extensive growth of the Orlando area and the definitive need to increase access to health care for our veterans.

Orlando and the surrounding area is the home to the largest population of veterans in the State of Florida. Only 45 percent of veterans in the Orlando region are within the VA's access standards for hospital care.

The VA, as part of the Capital Asset Realignment for Enhanced Services, identified the growing needs of central Florida and authorized the design and construction of the Orlando VA hospital, which will serve the region's nearly 400,000 veterans.

Dr. Robert Ratliff, the director of the Orlando VA medical center, is in the process of putting together a leadership team to ensure that the needs of veterans in central Florida are addressed in the design, placement, and construction of the hospital.

Currently, six sites in southeast Orlando are being considered for the hospital. The VA site selection committee will be visiting our State in the upcoming weeks to do an analysis of each of these sites. I urge the VA to select a site in central Florida in a timely manner.

One of the most important aspects of the Orlando VA hospital is accessibility. The new facility will give central Florida veterans access to VA health care without traveling long distances for their inpatient care.

The site that is selected will house a 130-bed hospital, nursing home, and domiciliary and rehabilitation center and will employ 2,000 people from the community. The extension of this project is essential to delivering the high quality of care our veterans deserve.

Mr. Chairman, at a time when our men and women in uniform have fought for our safety and security, I believe we owe America's veterans and their families our gratitude. We, most of all, beyond that also owe our veterans to care for them, as they have cared for us and for our safety and security.

At a time when so many of our young people are engaged abroad, and many of them are coming back home in need of veterans' care for years to come, a fast-growing State like the State of Florida absolutely needs this facility to get off the ground and on the path to serving America's veterans and Florida's veterans.

Thank you, Mr. Chairman, for the hearing, and I am delighted to be here with Senator Nelson on a project that we both very passionately care about.

[The prepared statement of Senator Martinez follows:]

PREPARED STATEMENT OF HON. MEL MARTINEZ, U.S. SENATOR FROM FLORIDA

I would like to thank Chairman Craig and the VA Committee for having this hearing on this matter of great importance to Florida.

More than 1.8 million veterans reside in the State of Florida and more veterans are choosing to call Florida home every day. Over the past 10 years, outpatient visits to Florida's veteran health centers have more than doubled. More than 10,000 veterans from the Global War on Terror have sought medical care through the VA in our State.

Securing plans for a new Orlando VA Hospital has been one of my top priorities since before I came to office and remains a priority today. As former Orange County Mayor I saw firsthand the extensive growth of the Orlando area and the definitive need we have to increase access to healthcare for our veterans.

Orlando and the surrounding area is the home of the largest population of veterans in the State. Only 45 percent of veterans in the Orlando region are within the VA's access standards for hospital care. The VA as part of the Capital Asset Realignment for Enhanced Services identified the growing needs of Central Florida and authorized the design and construction of the Orlando VA Hospital, which will serve the region's nearly 400,000 veterans.

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Our men and women in uniform have fought for our safety and security. I believe we owe America's veterans and their families our gratitude. We must care and provide for our veterans as they have fought and cared for us.

Chairman CRAIG. Mel, Senator Martinez, thank you very much for that testimony.

Now let me turn to Senator Bill Nelson. Bill, welcome to the Committee.

STATEMENT OF HON. BILL NELSON,
U.S. SENATOR FROM FLORIDA

Senator NELSON. Thank you, Mr. Chairman, and Ranking Member, Senator Akaka.

Mr. Chairman, you made a statement a while ago that the overall veterans population in this country is declining as World War II and Korean War veterans are getting older, and we are losing many of them.

Let me assure you that the demographic trend in the State of Florida is exactly the opposite——

Chairman CRAIG. The opposite, yes.

Senator NELSON [continuing].—because of veterans retiring and moving to Florida. In addition, during the winter months, those that the crackers refer to as the "snow birds" come and enjoy Florida's warm and mild climate bringing additional stress and demand upon Florida's VA facilities.

Mr. Chairman, when you and I were in the House back in the 1980s, we finally got the VA to come up with a plan for the future needs of its hospitals all around the country.

Because of these demographic trends recognized back then, the VA's plan said that Florida was going to need four new hospitals. By the way, it was going to break what had been the long-standing VA tradition that a veterans hospital was going to be co-located next to a medical school.

It identified priority number one, West Palm Beach—and that hospital was built 15 years ago; priority two, central Florida; and priority three and four, in the southwest region of Florida, around Fort Myers and the Panhandle.

Here we are, since the mid-1980s, 20 years later, and priority number two has not been built. The VA's 5-year capital plan lists the top 20 major facilities requested by the VA, and Orlando is number four. Yet, what is more concerning, the request portfolio inventory of current projects says Orlando's target date for a VA hospital is "to be determined." Now, Mr. Chairman, that is not good enough.

As far back as 2002, and again in 2003, the Congress directed the VA to include CARES implementation of when submitting their 5-year capital plans, but the Orlando hospital project continues to be listed as "to be determined."

The VA announced in a 2005 press release that the hospital is expected to open in 5 years. The VA's fiscal year 2006 budget request has it "to be determined." If we are on that time schedule, 4 years from the opening, we had better start breaking ground early next fiscal year.

Mr. Chairman, as the Senior Senator from Florida who has had this history now ever since I came to Congress 28 years ago, I make a plea to you to get to the bottom of this and straighten it out.

By any estimation, because of the demographic trends, Florida is expected to be the number one veteran populated State within the country in just a few years. I urge this Committee, Mr. Chairman, to continue your outstanding support that you give to our Nation's veterans. I ask you to give your urgent attention to this important project.

Thank you, Mr. Chairman.

Chairman CRAIG. Bill, thank you very much for that testimony. Those are important words, and it is important that we keep the VA focused, and of course, the CARES overall project was to do that.

As you mentioned, back in the mid-1980s, we were looking at numbers and demographic movement in our country and trying to make determinations at that time. For your State, some of those determinations were made. Now we will see if we can't get them completed.

Thank you very much. Thank you all for joining us.

Senator MURRAY. Mr. Chairman, I am happy to give my statement at any time.

Chairman CRAIG. Yes. We will turn to Senator Murray for her opening statement while our next panel is assembling.

Patty, please.

STATEMENT OF HON. PATTY MURRAY,
U.S. SENATOR FROM WASHINGTON

Senator MURRAY. Absolutely. Thank you very much, Mr. Chairman and Senator Akaka, for holding this hearing.

I want to welcome Under Secretary Perlin for joining us today as well.

Before I talk about the Walla Walla VA medical center, let me say I am pretty confused when it comes to the VA's construction budget. I am confused about where we are going with the CARES process. Some say the process is dead. Others say it is moving forward.

Some look at the fiscal year 2007 budget request and say that the VA's low construction funding request means that the VA is not willing to or able to move forward with many of the projects around the country. I hope that Dr. Perlin today can shed some light on this process and on the fiscal 2007 budget.

I am concerned, frankly, that we are promising great things when it comes to construction—new clinics, new hospitals—but we are not budgeting to meet those needs. As a Senator with a VA hospital being considered for closure in the CARES process, I hope this Administration realizes the situation it has put itself in.

On one hand, you say you want to close a hospital. On the other hand, you say you want to open new clinics, provide new services. In Washington State alone, it took years to even get the VA Secretary to sign off on a clinic in north central Washington, which I happen to be very pleased with. In total, I think the VA has signed off on six CBOCs across the country, when the CARES report laid out 80 or more.

You can see why our veterans really are worried about the VA's commitment here. They just simply don't believe the VA when they are told that new construction is coming, don't worry, and I really don't blame them.

I do want to talk briefly for a second about Walla Walla. Two years ago, when I saw a proposal from the VA to shut down one of our medical centers with no study, no alternatives, no plan, I had to speak up.

As I told the CARES Commission during their visit to Walla Walla, I support the idea behind CARES. I think it is important we do realign services so we can better meet the needs of our veterans. It is an important goal.

Like all of the people at today's hearing, I am committed to supporting a robust VA health care system in which our veterans receive the highest quality care in a timely fashion.

As we all know, under the CARES initiative, the Department of Veterans Affairs asked its regional offices to study the health care needs of their local veterans and to develop a plan to meet those needs. Unfortunately, for our veterans who are served by the Walla Walla facility, the dedicated VA employees who provide outstanding service, and the community itself, the CARES process lost some of its legitimacy.

The original VISN 20 report only highlighted the gaps in outpatient, primary, specialty, and mental health care and inpatient psychiatry as well as access to primary, acute hospital, and tertiary. Yet behind closed doors and under the direction of the VA headquarters, VISN leaders across the country were directed to call for the closure of more than two dozen facilities, including Walla Walla.

Now, during an official hearing of this Committee, we found out that almost 40 percent of the veterans of the rural region that is served by the Walla Walla medical center live outside the 30- to 45-minute standard for access to care. We heard local hospitals testify that they did not have the capacity to take on the medical patients that are currently served at the VA, and we found out there is no alternative for area veterans to get substance abuse or long-term care or mental health care services.

The point really is this. If we make it harder for veterans to seek care, in the end, they are not going to get any care. That, to me, is unacceptable.

Now, I can support bringing more VA care closer to our veterans. I can't stand by and accept efforts to close hospitals when the VA promises new facilities it doesn't have the budget to build. The bottom line for me is that we have to maintain a VA footprint in Walla Walla.

I really do appreciate the VA's current willingness to discuss the options in Walla Walla. Secretary Perlin, I want to thank you and your staff for the continuing dialogue on Walla Walla, and I really appreciated discussing this with the VISN Director Lewis as well. I know we are all trying to work to a good end on this, and I appreciate it.

Mr. Chairman, I just lay down my concern that we can't do a CARES process where we close hospitals and promise new facilities that we do not have the capacity to build.

Chairman CRAIG. Patty, thank you very much.

Let me call our panel forward, please.

Senator MURRAY. Mr. Chairman, I will be back in just a minute. I have to greet a group.

Chairman CRAIG. Before you leave, Patty, and as the panel is coming forward, let me say this about Walla Walla. I had the privilege during the last recess to visit Walla Walla. If you were simply

driving through it, you would say it is an old facility. It is old by its sheer presence. It is old by its structure.

You have said something that I think is tremendously important as it relates to services provided, as it relates to mental health care and the reputation that it has established, from what I understand. One of my reasons for visiting was because north central Idaho veterans go to Walla Walla. They, like many of your veterans, are concerned about its future.

I was pleased to hear you say in your statement that you felt it necessary that VA keep a footprint in Walla Walla, and I think that is a basis from which you and I can work very positively together. I don't know the design of the future there, but I would concur with you. I think there has to be a future there as it relates to services and certain that which must be provided.

I look forward to working with you on that issue and working with Dr. Perlin and others to make sure that we get that right and get it on track.

Senator MURRAY. I very much appreciate both your words now and your coming to visit. We do serve a wide three-State area there, and the veterans very much appreciated your being there.

Chairman CRAIG. You bet.

Senator MURRAY. It is something we can, I believe, work together in a very positive manner. I appreciate that very much.

I will return in just a minute.

Chairman CRAIG. Thank you.

Dr. Perlin and crew? Tim McClain and, of course, Bob Henke and Jim Sullivan. Thank you all for being with us. We will let you now proceed with your testimony. I look forward to it.

You have heard a variety of concerns expressed by individual Senators as to their States' futures. I think both Senator Akaka and I have given a broad overview of the CARES approach and where it was intended to take us.

It is our belief that it must continue, that it is an idea that became a reality that needs to stay alive for the purpose of analyzing not only what we have, but where we need to go in future service to America's veterans.

Dr. Perlin, please proceed.

STATEMENT OF JONATHAN B. PERLIN, M.D., UNDER SECRETARY FOR HEALTH, DEPARTMENT OF VETERANS AFFAIRS, ACCOMPANIED BY TIM MCCLAIN, GENERAL COUNSEL, DEPARTMENT OF VETERANS AFFAIRS; ROBERT HENKE, ASSISTANT SECRETARY FOR MANAGEMENT, DEPARTMENT OF VETERANS AFFAIRS; AND JAMES M. SULLIVAN, DEPUTY DIRECTOR, OFFICE OF ASSET ENTERPRISE MANAGEMENT, DEPARTMENT OF VETERANS AFFAIRS

Dr. PERLIN. Thank you, Mr. Chairman. We thank you very, very much for your support not only of America's veterans, but of VA and the process to refresh, restore, and really realign the infrastructure as benefits veterans of the 21st century.

With your permission, I ask that the full statement be submitted for the record.

Chairman CRAIG. Without objection, your full statement and any accompanying material will become a part of the record.

Dr. PERLIN. Thank you, sir.

I would like to introduce with title my colleagues. Mr. Tim McClain, to my right, is our general counsel, Department of Veterans Affairs.

Chairman CRAIG. Thank you.

Dr. PERLIN. To my immediate left is Assistant Secretary Robert Henke, assistant secretary for management. To his left is Mr. Jim Sullivan, the deputy director of the Office of Asset Enterprise Management.

Mr. Chairman, in July 1999, the Government Accountability Office study found that VA was spending $1 million a day on unneeded or unused facilities. In response to this report, VA essentially declared a moratorium on new health care construction from 2000 to 2004 in order to develop a coherent national plan for modernizing our facilities.

The Capital Asset Realignment for Enhanced Services, or CARES program, is that plan. It provides us with an opportunity to impose greater efficiency on our health care operations and to more prudently use the funding taxpayers so generously entrust to us.

In the process, it allows us to transform an infrastructure created for previous generations of veterans into one that provides 21st century care and 21st century technology to 21st century veterans.

Department of Veterans Affairs is the owner, tenant, and operator of the largest health care-related real estate portfolio in the United States. The Department also maintains facilities for Veterans Benefits Administration and most of our Nation's national cemeteries. Overall, we own, lease, or operate the third largest number of buildings in the Federal Government's inventory.

Former Secretary Anthony Principi released his CARES decision on May 7, 2004. Since that time, 11 construction contracts under CARES have been awarded and are underway. We plan to award an additional 13 contracts by the end of the fiscal year.

VA's draft bill to authorize construction for fiscal year 2007 has just been submitted to Congress. In it, we are asking for reauthorization of 18 previously approved CARES projects, 6 projects to complement the fiscal year 2007 budget, 8 leases, and 2 projects resulting from Hurricane Katrina's devastation—a replacement facility for New Orleans and restoration of the Biloxi hospital.

It is essential that all VA facilities are appropriately planned, designed, constructed, or leased in a manner that enhances the care and services that we provide to our Nation's veterans and one that is consistent with the efficient use of our precious financial resources.

Our current construction program and 5-year plan provide a comprehensive capital investment process, ensuring that our buildings and real estate fully support VA's organizational goals. For fiscal year 2007, VA's budget request includes a total of $714 million in capital funding. This includes $399 million for major construction projects, $198 million for minor construction, $85 million in grants for the construction of State veterans homes, and $32 million in grants for the construction of State veterans cemeteries.

Our major construction program provides for constructing, altering, and improving any VA facility or project with a total cost of

more than $7 million. Our minor construction program funds construction activities under $7 million.

VHA's request for construction funding for our medical facilities is $457 million. This includes $307 million for major construction projects and $150 million for minor construction. All of these resources will be devoted to implementing projects identified in our CARES program.

If our 2007 budget request is adopted, VA will have received more than $3 billion to implement CARES to date. We greatly appreciate Congress's and the President's support as we maximize our veterans' access to the high quality care for which our Department is renowned.

Let me highlight just one of the projects currently funded under CARES, the renovation of our Biloxi VA medical center. Biloxi, as you know, was damaged by Hurricane Katrina, and its Gulfport division was completely destroyed. The CARES report called for us to collaborate with Keesler Air Force Base to meet VA and DOD needs in the area and to transfer Gulfport's current patient care services to the Biloxi campus.

Hurricane Katrina required us to accelerate the process. With the $293 million emergency supplemental funding we received, we are proceeding rapidly with our DOD partners to meet the needs of gulf coast veterans and servicemembers and their families.

We are also working collaboratively in New Orleans to bring state-of-the-art medical care back to that city. In February, we signed an agreement with Louisiana State University to work together to develop plans for new medical facilities. Together, we hope to create sharing agreements that will benefit veterans and all of the citizens of Louisiana and all American taxpayers.

Mr. Chairman, the $53.4 million in major construction funding and the $25 million in minor construction resources in this budget provides national cemetery administration, will ensure that nearly 84 percent of veterans will be served by burial option in a national or a State veterans cemetery within 75 miles of their residence.

NCA is now engaged in its largest expansion since the Civil War and is making all the national cemeteries it administers national shrines commemorating veterans' service to our Nation.

We thank you, and we thank the Committee for your continuing support to our Nation's veterans. We would be pleased to answer any of your questions.

Thank you.

PREPARED STATEMENT OF JONATHAN B. PERLIN, M.D., UNDER SECRETARY FOR HEALTH, DEPARTMENT OF VETERANS AFFAIRS

Mr. Chairman and Members of the Committee, good afternoon. I am pleased to appear here this afternoon to provide you with an overview of the Department of Veterans Affairs' (VA) construction program and 5-Year Capital Plan. I will also provide information on VA's portfolio management approach and how the Capital Asset Realignment for Enhanced Services (CARES) process and the Enhanced-Use Leasing program play an integral role in the management of VA's portfolio.

VA has a vast holding of diverse capital assets consisting of buildings and real estate, VA-leased buildings, enhanced-use leases, and infrastructure. Assets include hospitals, clinics, cemeteries, and office buildings. Many of these facilities currently are used, managed, and maintained in relation to and for promotion of the respective activities of VA's Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and Staff Offices (General Administration). At the close of fiscal year 2005, VA held 1,053 operating

leases, and owned 5,306 buildings and 32,527 acres of land. Various construction programs are used to fund infrastructure for the Department. Operating dollars fund lease requirements and maintenance projects. The major construction program provides for constructing, altering, and improving any VA facility with a total project cost over $7 million and the minor construction program funds construction activities under $7 million. Two grant programs are also utilized for building or improving State veterans cemeteries and State nursing homes and domiciliary facilities.

The VA fiscal year 2007 budget request includes $714 million in capital funding. Our request includes $399 million for major construction projects, $198 million for minor construction, $85 million in grants for the construction of State-extended care facilities, and $32 million in grants for the construction of State veterans cemeteries.

The 2007 request for construction funding for our medical facilities is $457 million–$307 million for major construction and $150 million for minor construction. These resources will be devoted to implementing projects identified in the Capital Asset Realignment for Enhanced Services (CARES) program. The projects will renovate and modernize VA's health care infrastructure and provide greater access to high-quality care for veterans. VA also received funds enacted in the Hurricane Katrina emergency supplemental funding in late December 2005: $293 million to fund a CARES project for a new hospital in Biloxi, Mississippi: and $75 million for planning and design for the restoration/replacement of the medical center facility in New Orleans, Louisiana. To date, including the fiscal year 2007 budget request, VA has received in excess of $3 billion to implement CARES. In addition, VA currently has an emergency supplemental request for $600 million before the Congress for the construction funding of the restoration/replacement of the medical center facility in New Orleans.

Our fiscal year 2007 major construction request for health care will fund the continued development of two medical facility projects—$97.5 million to address seismic corrections in Long Beach (California); and $52.0 million to continue the work necessary to prepare for construction of a new medical center facility in Denver (Colorado). In addition, our request for major construction funding includes $38.2 million to construct a new nursing home care unit and new dietetics space, as well as to improve patient and staff safety by correcting seismic, fire, and life safety deficiencies at American Lake (Washington); $32.5 million for a new spinal cord injury center at Milwaukee (Wisconsin); $25.8 million to replace the operating room suite at Columbia (Missouri); and $7.0 million to design improvements through renovation and new construction to reduce underutilized vacant space located at the Jefferson Barracks Division campus at St. Louis (Missouri) as well as provide land for expansion at the Jefferson Barracks National Cemetery.

We also requested $53.4 million in major construction funding and $25.0 million in minor construction resources to support our burial program. This includes funds for cemetery expansion and improvement at Great Lakes, Michigan ($16.9 million), Dallas/Ft. Worth, Texas ($13.0 million), and Gerald B. H. Solomon, Saratoga, New York ($7.6 million). Our request will also provide $2.3 million in design funds to develop construction documents for gravesite expansion projects at Abraham Lincoln National Cemetery (Illinois) and at Quantico National Cemetery (Virginia). In addition, the major construction request includes $12 million for the development of master plans and the initial design for six new national cemeteries in areas directed by the National Cemetery Expansion Act of 2003—Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Sarasota County, Florida; and southeastern Pennsylvania.

CARES

Former Secretary Anthony Principi formed the Capital Asset Realignment for Enhanced Services (CARES) program to conduct a "comprehensive, system-wide approach, identifying the demand for VA care and projecting into the future the appropriate function, size, and location for VA facilities." The CARES Commission, an independent body, evaluated VA's CARES program and submitted findings and recommendations in February of 2004, and on May 7, 2004, the Secretary released his CARES Decision based on the Commission's findings and recommendations for each CARES site. This CARES decision became VA's roadmap into the future.

Since that time, much has been done to move these infrastructure improvements forward. Architectural and engineering firms have been retained to prepare designs and 11 construction contracts have been awarded and are underway. An additional 13 construction contracts are planned to be awarded by the end of this fiscal year. These projects bring needed improvements for veterans at these locations.

Public law 108–170 provided the Secretary with interim authority to proceed with CARES approved projects subject to a 45-day notice to the Committees. This legislation was used to provide authorization for the first 30 CARES projects. The legislation will sunset on September 30, 2006. Fourteen projects authorized under this public law are not likely to award construction contracts by September 30 and four additional projects which will have construction underway will have second phases of construction that will begin later. Therefore, the Department has requested an extension of that authority until September 30, 2009 in the fiscal year 2007 Budget and 5-Year Capital Plan. Also in need of authorization are three projects: Biloxi, Mississippi; Denver, Colorado; and New Orleans, Louisiana, for which the Department has identified as an immediate need in fiscal year 2006. A request for authorization for medical facility leases for fiscal year 2006 and fiscal year 2007 construction projects and medical facility leases are also included in the budget request and capital plan. In total, VA is requesting authorization of $3.7 billion for major medical facility projects and $51.6 million for major medical facility leases.

5-YEAR CAPITAL PLAN

The Department's 5-Year Capital Plan is the ultimate product of VA's capital investment process, which reflects tradeoffs between funding the operational expenses for existing assets and the acquisition of new assets by the most cost-effective and beneficial means. The VA capital plan includes the highest priority capital investments that were vetted through a comprehensive Department-wide capital investment process to ensure the assets fully support the mission, vision, and goals of the agency. The plan outlines VA's implementation of the CARES decisions. The plan also includes descriptions of other initiatives and capital asset management tools that VA is utilizing to better manage its large capital portfolio.

For fiscal year 2007 the capital plan is published together with the Department's construction budget. Combining the two documents provides a comprehensive view of the VA construction budget for 2007 and plans for the future.

ENHANCED-USE LEASING

VA utilizes a capital asset management tool called "enhanced-use leasing" (EU leasing) to better manage its vacant and underutilized real property assets. The authority was initially authorized in 1991, is codified at 38 U.S.C. § 8161–8169, and currently is set to expire on December 31, 2011. It permits VA to lease Department-controlled real property to private or other public entities for a term not-to-exceed 75 years. Each lease must be in exchange for "fair consideration" as determined by the Secretary. Such consideration may consist of monetary, and/or "in-kind" consideration including construction, repair, remodeling, improvements, or maintenance services for Department facilities, or the provision of office, storage, or other usable space.

The EU leasing program has enabled VA to leverage its diverse, underutilized real estate portfolio to generate significant revenues. Such revenues are redirected toward the healthcare and capital operations of our medical centers, which serve our Nation's veterans daily. It also has resulted in several privately financed, developed, and operated facilities which provide valuable, mission-compatible services to the Department and eligible veterans, non-veterans, and VA employees. Such facilities and services have included co-generation energy services, office facilities, parking facilities, hospice care, mental health, single-room occupancy (homeless shelters), affordable housing, transitional housing, low-cost senior housing, and child day care services. Notably, VA's varied EU leases also have resulted in a substantial short and long-term stimulus for the impacted local, State, and Federal Governments and economies, due to tax revenues, sales, and job creation.

In fiscal year 2005, through its EU lease program, VA received over $900,000 worth of in-kind consideration, and $28,000,000 via a single payment of monetary consideration. The EU Leasing program is a proven method of leveraging VA's diverse real estate portfolio and market position.

VA'S PORTFOLIO MANAGEMENT APPROACH

VA utilizes a three-tiered portfolio management approach. This approach is the blueprint for VA portfolio management nationwide.

First, VA manages what we have more effectively through Federal Real Property Council (FRPC) performance standards as well as using unique technology-assisted inventory management system. VA is committed to four metrics that set the goals for performance. They include the percent of space utilization as compared to overall space (owned and direct leased); the percent condition index (owned buildings); the ratio of non-mission-dependent assets to total assets; and lastly, the ratio of oper-

ating costs per gross square foot (GSF) adjusting for inflation. These goals are based on the FRPC standards for performance measurement in capital portfolio management.

VA is striving to utilize information technology and established capital asset management principles to improve the management of its capital resources. VA created the Capital Asset Management System (CAMS), an integrated, Department-wide system, enabling VA to analyze, monitor, and manage VA's portfolio of capital assets. Data are organized and presented to strategically monitor performance against capital asset goals within and across asset types and VA Administrations (VHA, VBA, and NCA).

Secondly, VA selects prudent capital investments through appropriated dollars. VA uses appropriated dollars to manage CARES capital investment projects that have proven to be sound investments. Each project's performance is measured to ensure the best use of our overall portfolio needs. This innovative approach has allowed VA to manage underutilized assets in a more efficient and cost-effective manner.

VA's third approach is the use of its enhanced-use leasing authority, which has been previously mentioned. Over the past 14 years VA has awarded 47 projects through the enhanced-use leasing authority. An additional 100 initiatives are being studied, of which 45 projects are currently active.

CLOSING

In summary, Mr. Chairman, the $714 million the VA is requesting in fiscal year 2007, in addition to the $293 million provided in the Hurricane Katrina emergency supplemental will provide the resources necessary for the Department to:

- Continue implementation of the infrastructure improvements identified in CARES to insure that facilities are available to support the provision of timely, high-quality health care to nearly 5.3 million veterans.
- Increase access to our burial program by ensuring that nearly 84 percent of veterans will be served by a burial option in a national or State veterans cemetery within 75 miles of their residence; and
- Provide safe and secure facilities for the Department built to current specifications to withstand natural and manmade disasters.

I look forward to working with the Members of this Committee to continue the Department's tradition of providing timely, high-quality benefits and services to those who have helped defend and preserve freedom around the world. I would be pleased to answer any questions the Committee may have.

RESPONSE TO WRITTEN QUESTIONS SUBMITTED BY HON. LARRY E. CRAIG TO HON. JONATHAN B. PERLIN

Question 1a. In responding to my question regarding what VA is doing to actively seek enhanced opportunities to further CARES progress through new collaboration with DoD following the most recent BRAC round, you indicated that VA has submitted "expressions of interest" in a dozen potential sites.

Where specifically are these sites?

Answer. The Department of Veterans Affairs (VA) was approved for the transfer of sites made available through the Base Realignment and Closure (BRAC) process.

- Army BRAC sites include: Mountain View, California; Ft. McPherson, Georgia; Providence, Rhode Island; Dallas, Texas; San Antonio, Texas; Seattle, Washington; and Huntington, West Virginia.
- Air Force BRAC sites include: Mesa, Arizona; Sunnyvale, California and Buckley, Colorado.
- Navy BRAC sites include: St. Petersburg, Florida and Atlanta, Georgia.

Question 1b. What criteria is VA using to assess its interest in these sites?

Answer. VA developed four criteria to assess its interest in property made available through BRAG:

(1) Does it fulfill an identified need;
(2) Is it in the right location (proximity, access, etc);
(3) Is the asset worth it (value, cost-savings or avoidance); and
(4) Does it provide collocation opportunities?

Based on the responses to these evaluation criteria, VA issued an expression of interest for 24 properties. VA then developed eight criteria to assess whether the Department should proceed with a formal request for transfer of the property. The eight criteria include:

(1) Suitability of the property-facility (does it meet VA facility needs);
(2) Suitability of the property-location (does it meet VA location needs);

(3) Special property characteristics that make the property unique for addressing VA needs;
(4) Size of VA need;
(5) VA facility needs (does it require renovation or construction);
(6) Market alternatives;
(7) Existing VA sites (are there available under used VA assets to meet the need); and
(8) Timing.

Question 1c. Has former VA Secretary and BRAC Commission Chairman Anthony Principi had a role in this process?

Answer. Former VA Secretary and BRAC Commission Chairman, Anthony Principi, did not have a role in the VA selection process.

Question 2. This Committee has clearly indicated its commitment to VA's reconstruction efforts in the Hurricane Katrina-affected region. What, if anything, is VA doing to prepare in advance for future catastrophic damage to its infrastructure?

Answer. VA has taken several steps to prepare for future catastrophic damage to its infrastructure. These actions include:

- The Secretary's Structural Advisory Committee (consisting of nationally recognized experts on facility structures) regularly reviews VA's structural criteria to ensure compliance with the most current codes and extreme disasters requirements.
- VA has developed Physical Security Strategies that support VA's requirement of continued operation of critical facilities, including medical facilities, after a natural or man made extreme event. These strategies are being included in VA's major projects.
- Funding for physical security infrastructure protections was requested and provided in the fiscal year 2006 major construction appropriation.
- Physical Security Assessments have been completed for all critical VA facilities.
- Hurricane Utility Assessments were completed August 2005 at five VA medical centers with a high risk of hurricane damage, which included recommendations for upgrades of infrastructure to maintain operation in the aftermath of hurricanes.
- Hurricane Utility Assessments are being conducted at all remaining VA medical centers with a high risk of hurricane damage.
- Major projects at high risk hurricane sites have included criteria changes that require increase capacities of emergency power to ensure full operation of heating and air conditioning systems, additional protections for water systems to ensure the availability of water and sewer services, and other enhancements for improved survivability.
- A number of VA medical centers in high risk hurricane and seismic areas have completed or are addressing utility, structural, and infrastructure improvements to improve their ability to support full medical operations after an extreme event.

Chairman CRAIG. Dr. Perlin, thank you.

We have been joined by our colleague on the Committee, Senator John Ensign, of the great State of Nevada.

John, we will allow you to make your statement, and then I think you are on a schedule, time sensitive, and then I will return to the panel for questions that we have of you.

STATEMENT OF HON. JOHN ENSIGN, U.S. SENATOR FROM NEVADA

Senator ENSIGN. Thank you, Mr. Chairman.

I appreciate you holding this hearing, and I will make my statement brief and submit my full statement for the record, if that is OK?

I have worked for quite some time with the rest of our delegation to obtain some 154 acres in north Las Vegas for the construction of a new VA medical center complex, which would consist of a 90-bed, full-service hospital and a 120-bed VA nursing home. The specialized care that will be provided at this facility will eliminate veterans having to travel long distances to southern California and, more importantly, will provide the comprehensive health care that these men and women so richly deserve.

Right now, because of the problems that we had with the VA medical center in Las Vegas, veterans are traveling all over the city for various services. It is all broken up right now. There are 50,000 enrolled veterans in southern Nevada, and this current situation, while it is working, is unacceptable.

The VA has done a great job in a bad situation. It has tried to alleviate the problems. We know that this is not a permanent fix, and the new facility will be that permanent fix.

We obtained the funding for this new VA medical center/hospital complex. We really appreciated Secretary Principi, who started the whole thing. We are very grateful to the work that he did, and to Secretary Nicholson for continuing that work.

The President did not put any money in the budget this year, but we have been assured—from a conversation that I had with Secretary Nicholson—that it is on budget. The money is going to be there. I just want to get it on the record today that it will be there because it is critically important to the veterans of our State.

The construction costs have skyrocketed all over the country and especially in my State.

Now, Secretary Nicholson has said that the money would still be there, and so we hope that that is the case. You could state for the record that the VA will be committed to making sure that this stays on schedule to meet the needs of the veterans in southern Nevada.

We have almost 2 million people in our valley now, and any other place in the country that had 2 million people, a population center without a full VA complex is unthinkable. We appreciate the efforts that you all are making and are going to continue to make, and we look forward to working with you on it.

Thank you, Mr. Chairman.

Chairman CRAIG. Senator, thank you very much. Before you leave, if you have questions of the panel—and you just registered one—you may choose to ask them at this time.

Senator ENSIGN. Dr. Perlin, would you be willing to put yourself on the record while I am here? I would love to hear your comments on what we are doing in southern Nevada.

Dr. PERLIN. Absolutely. Thank you, Senator, for your support of this great project.

We recognize fundamentally this facility is needed. We estimate it to be a $406 million facility. In fact, there is $259 million available as down payment.

There is a little bit of site preparation to do, as you well know. Understanding that that is necessary, we believe that we can stick on a fairly tight schedule and complete that facility.

The other thing we recognize is that folks out there, as you have stated, are doing a great job, but it is not ideal. We don't have the inpatient services that we need to facilitate even better partnership with Michael O'Callaghan Federal Hospital, or MOFH. This project also reinforces our VA–DOD sharing as well.

Senator ENSIGN. Thank you, Mr. Chairman.

Chairman CRAIG. Thank you.

We have been joined by our colleague, Senator Richard Burr. Senator Burr, do you have any opening comments? All right. Fine enough.

Well, gentlemen, again, thank you for being with us as we continue oversight and look at budget requests in relation, of course, to both your capital expenditures and your lease programs.

VA is tasked with meeting the needs of veterans in urban, suburban, and rural areas across the country. Obviously, the cost of doing business—in this case, construction—varies from locale to locale.

However, you have estimated that a replacement medical center in the Denver, Colorado, area will cost roughly twice what it will cost to construct a new medical center in Orlando, Florida. Please explain to the Committee how you estimate project costs, and what causes such great differences in otherwise seemingly similar projects.

Dr. PERLIN. Thank you very much, Mr. Chairman, for the opportunity to address this.

Let me, if I might start with the answer, because as the responsible leader at the Veterans Health Administration, this is something that I wondered about as well.

First, I should point out that there is significant size difference between the Denver facility and the Orlando facility. I note that. The other is that the cost of construction is significantly higher. I understand that the BEC index is roughly a third higher between the two cities.

Let me turn to our deputy director of Office of Asset Enterprise Management, Jim Sullivan, to elaborate on the pricing and that particular differential.

Chairman CRAIG. Please, Jim.

Mr. SULLIVAN. Mr. Chairman, there is significant difference in the size between the two—1.4 and 1.1 million—and then the economic conditions are significantly different in the Denver area versus the Orlando area.

If you would, I would ask—Mr. Neary is here. He is more familiar with the exact conditions in those two areas, if he would care to comment?

Chairman CRAIG. That would be appreciated. Please come forward, if you would. Pull up a chair and get next to a microphone. Either place. Don't tell me it is altitude.

[Laughter.]

Chairman CRAIG. That is obvious. Please proceed, sir.

Mr. NEARY. Thank you, Mr. Chairman.

My name is Bob Neary. I am the acting chief facilities management officer, Veterans Health Administration.

As has been said, as you said, in fact——

Chairman CRAIG. Is your microphone on?

Mr. NEARY. Yes.

Chairman CRAIG. OK. Thank you.

Mr. NEARY. Construction costs, labor rates vary around the United States, and there is a significant difference between the Denver metropolitan area and in Orlando. We rely on a construction cost index known as the "Boeckh Index". In addition to Boeckh, other construction economic analysis tools will bear out the same.

Denver is about a 31 percent higher cost market than is Orlando. In addition, as was said, the space in Denver is approximately 23

percent more than the building area in Orlando. Part of that is the fact that in Denver there will be a spinal cord injury facility, and that is not the case in Orlando.

Chairman CRAIG. OK. Thank you. I think that is important information for the record.

Please explain to the Committee how you estimated these costs. I think you have already done that, and I appreciate that. I am amazed at a 31 percent differential. That must be altitude.

Dr. Perlin, any additional comments?

Dr. PERLIN. No.

Chairman CRAIG. All right.

VA, in the 2007 budget request for minor construction, is $198 million of which $150 million will be dedicated to CARES projects. Those figures are significantly below recent years.

Although we can all agree that VA's mission is to deliver care, not buildings, will this funding level now and into the future allow VA to successfully maintain the infrastructure needed to deliver CARES?

Dr. PERLIN. Mr. Chairman, I want to thank this Committee and everyone, for their support of VA. With the approval of this budget, it actually brings to date the total investment in CARES activities to about $3 billion.

I would note that while the request for majors for health construction and minors together are about $457 million, this year also accelerated some of the CARES construction with the unfortunate tragedy of Hurricane Katrina. We appreciate the response of Congress and the President's support that brought $293 million to accelerate the Biloxi construction, $75 million to initiate the planning work in New Orleans, and the support of Congress in terms of an additional supplemental.

It is interesting to note that at this moment in terms of the construction portfolio, on top of that $457 million, there is $367 million from the 2006 supplemental. With resolution of the House and Senate activity on the supplemental, that adds nearly another $561 million, for a total of about $1.374 billion. That is a fair amount of activity to move forward with.

Chairman CRAIG. Do you expect that the request for 2007 projects represents all of the funding authority VA will need in order to complete both projects under way and the new 2007 projects?

Mr. SULLIVAN. Mr. Chairman, no, it does not. To complete all of the projects that are partially funded and the projects that are in the 2007 budget would be approximately an additional $1.4 billion.

Chairman CRAIG. With that in mind, are you planning, what, in time to spread those projects? How do you approach that?

Mr. SULLIVAN. Yes, sir. We would spread those in our future budget requests. One, based upon the priority of the project. Two, the constructability, when the money is needed. And three, the ability to spend the money in the year in which it is requested.

Chairman CRAIG. OK. I have gone beyond my time.

Senator Murray.

Senator MURRAY. As I mentioned in my opening statement, as the CARES process continues on, I am concerned that promises are being made that your budget for VA construction just simply won't

fulfill. As a Senator from a State with a VA hospital on that CARES closure list, I have been assured that all sorts of facilities are going to be built if Walla Walla hospital does, indeed, close.

What assurances do we have from you for the veterans in Washington, Idaho, Oregon, who access this hospital that when a final decision is made, that it is not just going to be a hollow promise and the VA truly will fund the construction projects and build the facilities that are committed to?

Dr. PERLIN. Well, Senator Murray, thank you for the question. That is a very fair question. We appreciate your support. As you know, I have been out to the beautiful State of Washington and been to Walla Walla a couple of times and met those veterans.

I think we lose sight of the "ES" in CARES, the enhanced services. What is pretty clear is that we need to make good on that promise to not just align the capital infrastructure, but enhance the services.

I appreciate the work with the local advisory panel there in Walla Walla and the interests of the community and the veterans from further afield who do travel to that facility. What I think is understood now is that we can make good on that promise of enhancing services through partnerships that allow us to have new CBOCs.

We know for a fact in Walla Walla there are some opportunities to partner with the community in really enhancing services because, as we know, that Fort Jonathan Wainwright celebrated its sesquicentennial a few years ago, and I am not thrilled with the condition of the buildings.

Nineteen hundred and twenty-six is the age of one building that has been used for the general health care, and 1906, I believe, for the long-term care facility. We can do better for our veterans.

We appreciate the opportunity to work with you and the community to find not only more economical, but really much better, higher quality physical environment and technologies.

Senator MURRAY. Everybody wants to believe that, but what they are concerned about is that they will hear that and we all want that to be the case, but then we won't see budgets that actually have the dollars for construction. I think that is a real legitimate fear.

Dr. PERLIN. Well, as we just were discussing, we are working with over $1.3 billion in capital construction in this period, and our ability to move forward in any of the areas that may have mission realignment of a particular facility is absolutely predicated on having a viable plan to give care. There is no go without those plans.

Senator MURRAY. Can you tell us what the current status of the VA analysis of the Walla Walla facility is right now?

Dr. PERLIN. Well, as you know, the Secretary has just completed receipt of the Phase 1 CARES studies. He will need to reflect on that material at this juncture.

Senator MURRAY. The community came out with its report. In fact, I have it with me. Have you seen the community report?

Dr. PERLIN. Yes, I have seen the community report and do appreciate it.

Senator MURRAY. OK. In a couple of weeks, a number of the stakeholders from Walla Walla are actually going to be here. Would

you be willing to sit down with them to discuss this with you and some of your staff?

Dr. PERLIN. I would commit absolutely, except I am doing an extraordinary amount of traveling to actually get out to some of these sites. As you know, I have been there. If I am in town, I would be delighted to be. If I am not, I am sure our staff would be.

Senator MURRAY. OK. We will work with you on the schedule, but just as I said in my opening statement, there is a lot of confusion out there about how this is going to look and how it is going to continue.

As you know, some of the LAPs have not been meeting when they were scheduled, and there is not a lot of information being shared right now. Maybe if you could just paint a picture for all of the Members of this Committee where the CARES process is going in general, that would I think be helpful.

Dr. PERLIN. Well, thank you very much. That, I think, would be useful.

As you know, the history of the CARES project is that the Secretary received a report in 2004, former Secretary Principi, and also in that year came forward with a set of decisions. Those decisions required analysis, and this was to be a very transparent, open, community-oriented evaluation of the possibilities for these different campuses.

We are at the point now of just completing what is called CARES Phase 1, which involved convening local advisory panels, made up of community leadership representatives, affiliated organization leadership, where that was part of the mix. They actually put forward, with the help of PricewaterhouseCoopers consultant, a variety of potential possibilities to make best use of the physical infrastructure and contemporize the sites for VA in the future.

That Phase 1 culminated in a series of reports where some options were evaluated positively by the local advisory panel membership, and others were not well received. That winnowed down to a broad range of options for presentation to the Secretary.

The Phase 2 of CARES, which will culminate after this, there were to actually be very detailed analyses down to specifications and costs of buildings and activities for selection of the options that the Secretary might choose from those presented to him by the CARES Phase 1 and LAP process input.

Senator MURRAY. My time is up, but I appreciate that update.

Dr. PERLIN. Thank you.

Senator MURRAY. Thank you, Mr. Chairman.

Chairman CRAIG. Thank you, Patty.

Senator Burr, any questions?

STATEMENT OF HON. RICHARD BURR,
U.S. SENATOR FROM NORTH CAROLINA

Senator Burr. Thank you, Mr. Chairman.

Gentlemen, thank you. Dr. Perlin, great to see you.

Not to state something that you don't already know, but North Carolina represents the largest growth of retired veterans in this great country that we live in. That has stimulated the plans for the addition of quite a few clinics across North Carolina of which three

are currently in the queue and several more to come online between now and 2012.

I want the record to show that that has to become reality, that the single most important thing for the VA to remember is that investment must go where the veterans are. To ignore the population shift in this country is to plan not to provide the level of care that I think individuals expect from us.

Any departure from that plan for those clinics would, in fact, affect our ability to deliver that care in a real way.

I want to raise two questions with you, if I can today. There was a decision to move the fee-based payments to private health care providers from Salisbury, North Carolina, to Virginia. I think that is current policy. I raise this issue only to make a point that I hope you know today, that there has been created a backlog of payments.

In some cases, hospitals have turned veterans over to collection agencies because of the inability of the VA to reimburse them for services that they have, in fact, contracted for. I believe this is a situation that can easily be cleared up, if it is not already in the process. I hope that at least this example is not one that will be re-created anywhere else within the VA.

Dr. PERLIN. Well, Senator, first let me acknowledge that North Carolina is absolutely a high-growth area, and we are acutely aware of the population shifts there.

Let me also, if I may, identify that some individuals brought that to my attention that there had been a backlog. We looked into that. I was told that that was eliminated. I will take your counsel today and go back and verify that there is not one delinquency in any of those accounts so that no veteran should ever have to bear the burden of a delay that might have been administrative.

Senator BURR. I would appreciate it if you would do that. The appropriate thing for us to do is to ask, and I appreciate your willingness to go back and look at it.

I can assure you that every Member of Congress would agree with the statement that the state of our health care system on the private side cannot float indefinitely to the VA the reimbursements that are needed. Somebody loses when that happens.

The second issue is with the Salisbury facility itself. As I understand it, Salisbury has the second highest patient population growth as a percentage of the number of patients in the entire VA network. I think that is behind only Tampa, Florida.

Can I leave here today with a comfort level that you have a grasp on that from a standpoint of what they are trying to provide in service to the number of people that they are trying to provide that service to, and that you understand that in the regards of the statement that I made, that funds have to follow where, in fact, the veterans are?

Dr. PERLIN. Senator, you can absolutely have confidence that funds will follow where the veterans are. The allocation mechanism, while it is delayed by about 20 to 24 months, works on the history and does just that. It puts the resources where veterans, in fact, migrate to. North Carolina is certainly a high-growth State.

In terms of tracking to make sure that services are delivered timely, one of the areas that we follow vigilantly, or I think our

network directors would probably say obsessively, is in terms of timeliness of care.

I have been tracking in VISN 6. They are making great progress. As you know, nationally, over 9½ of every 10 appointments is well within 30 days, and I will personally go back and look and review the Salisbury facility and make sure that they are performing as you and I would both want.

Senator BURR. Well, I appreciate that. Again, I would note the fact that if, in fact, this growth in that one facility is as great as I have been told that it is, I am not sure that a 24-month lag in the resources that reflect that type of growth necessarily provide them with the tools that they are going to need to provide the service that I think each one of you at the table has expressed that the VA wants to do.

If you look at that and if, in fact, you find that the information that has been shared with me is accurate, I would only ask you to look at the timeliness of that reallocation of funds. Because I know if you took any private hospital in the country, and you injected a degree of growth in them, but told them it is going to be 24 months before there are any additional resources that come to provide that level of care, I am not sure that there is a hospital in the country that would survive that type of hit.

Dr. PERLIN. Your points, sir, are very well made. I can tell you, just looking at the numbers that I have before me, that Durham is in the top three of the highest growth of all networks across the country, and VA recognizes that already. We will go back and review the data even further.

Senator BURR. Thank you.

Dr. PERLIN. Thank you, sir.

Senator BURR. Thank you, Mr. Chairman.

Chairman CRAIG. Senator Burr, thank you very much for those questions.

I have one remaining question of this panel. Then I will turn back to Senator Murray.

We all understand the unforeseen effects of Hurricane Katrina and what it has had on the CARES process and the overall capital planning issues. Reconstruction funding represents nearly a quarter of your request today. I am interested in knowing how VA is looking at opportunities for further CARES objectives through partnering with DOD.

For instance, are you actively looking for enhanced opportunities to further CARES progress through new collaborations with DOD following the most recent BRAC round?

Dr. PERLIN. Mr. Chairman, we are absolutely looking at the opportunities for partnership following BRAC. Let me divide this into two areas. The first one is the actual partnering on clinical services, as will be occurring at our Biloxi facility, where we share resources and not reduplicate specialty services such as radiation oncology, with Keesler Air Force Hospital.

In fact, right now, there is discussion even to place one very high-tech piece of equipment, a linear accelerator, actually on the VA side so that there is sharing and non-reduplication of services.

Beyond that, we actually have submitted a number of expressions of interest in, I think, a dozen sites where there are opportu-

nities for VA activities to be improved by making use of sites that become available as a result of the BRAC process.

Chairman CRAIG. Good. I think that is an opportunity. I am glad you are looking at it as intently as you are.

With that, let me turn to Senator Murray. Patty?

Senator MURRAY. Dr. Perlin, I am really worried that the lack of adequate research space is really leading to the VA losing some of its best and brightest researchers to academia and the private sector. With those researchers and their staff go the breakthroughs on diabetes and PTSD and MS and other conditions that affect the veterans populations, not to mention the NIH and corporate and private funding that currently doubles the VA's research investment.

Can you share with us what the VA's plan for the next 5 years is when it comes to expanding research facility space?

Dr. PERLIN. Senator, first, let me absolutely agree with the importance of research. It has a number of simultaneous advantages. First and most importantly, it helps us improve the health and well-being of America's veterans.

Second, it is also one of the reasons that some of the most stellar clinicians come to VA. They have the opportunity to teach and be in an academic environment. They are absolutely attached to the mission of serving veterans, and the ability to conduct research is part of that.

In point of fact, the CARES plan puts forward as much as half a billion dollars of ultimate research space investment. Of course, that is a 20-year plan. We realize that needs are even more pressing.

We have made initial improvements in terms of some of the security of research areas, and that was something that was really a must-do to begin with. I note that our resources for research infrastructure improvement come not only from the appropriated budget, but I would be remiss if I didn't acknowledge the great work of the national or the nonprofit research and education foundations.

These entities actually help also to enhance the research infrastructure, including not just the physical space, but also some of the very specialized research equipment.

Senator MURRAY. Well, let me ask you specifically about the Puget Sound VA medical center, which is the sixth-largest VA research facility. According to the CARES report, the medical center needs nearly 260,000 square feet of research today, and it has less than half. It has about 123,000 square feet.

How is the VA going to get the space that is required for the research at the Seattle VA with your current budget request?

Dr. PERLIN. Senator, as you may know, I have been out to the Seattle VA a couple of times, and they have not only phenomenal basic science research, but they also have one of the world's best health services research facilities as well. In fact, right now, they are resolving that by leasing some of the space in town.

For a more detailed answer, I would have to get back to you for the record, if I might?

Senator MURRAY. OK. Well, given the need for the additional research space there—and I am glad you have been out there—why

did OMB recently deny an effort by the VA to build a new Seattle research facility, and are you going to push for that facility?

Dr. PERLIN. I am going to support the research overall, but I would be really remiss if I didn't look into the specifics. If I might get back to you for the record, I would appreciate it.

Senator MURRAY. OK. Well, I will just make the comment that I am really worried that VA researchers are leaving our VA for universities, for private sector, and they are taking with them a substantial amount of research funds. In all honesty, given the nature of medical and research community that I know you know really well, Dr. Perlin, you have got to ask why would the VA's best and brightest within the research community continue to work with the VA?

I think we have to make a concerted effort to have the kinds of facilities that will attract the best and the brightest because their research is critical for our veterans' community. It is different than what they do in the private research facilities. We need to make sure we have the research available for our veterans' population and don't lose our access to that.

Thank you, Mr. Chairman.

Chairman CRAIG. Senator Murray, thank you.

Before this Committee stands down, we have just been joined by our colleague Senator Thune. Do you have any questions, particularly of Dr. Perlin and his team?

STATEMENT OF HON. JOHN THUNE,
U.S. SENATOR FROM SOUTH DAKOTA

Senator THUNE. Mr. Chairman, I don't know. I have got maybe a couple of questions I could submit for the record. I just can make an observation.

I appreciate very much the panel for being here today and addressing this important subject. Thank you, Mr. Chairman, for holding a hearing to consider the construction and lease authorization needs of the Veterans' Administration.

I understand the focus of the hearing is to look at major construction projects of the VA, and I would simply say that as a Member of this Committee from a sparsely populated rural State, I believe it is important to mention, too, the construction projects needed to accommodate the needs of our rural veterans, and specifically our community-based outpatient clinics.

We have currently eight of those operating in South Dakota. They cover a wide geography in my State, from Pierre to Winter to the Pine Ridge Indian Reservation and the Rosebud Indian Reservation. They are very critical to our rural veterans, and I believe that many of those veterans often travel hundreds of miles to access adequate health care services.

Having those facilities available in rural areas is awfully important. As part of my efforts to improve access to health care for our rural veterans, I have been pleased to introduce, along with Senator Salazar, a bill called the Rural Veterans Care Act of 2006, which will create an assistant secretary for rural veterans at the Department of Veterans Affairs to basically, the purpose being to improve the care provided to veterans living in rural areas.

Also, implement a pilot program to evaluate the feasibility and advisability of utilizing various means to improve access of veterans who reside in highly rural or geographically remote areas to health care services. I would hope that my colleagues on the Committee will support that legislation. I also want to thank Senator Burr for cosponsoring it as well.

I know that the VA Secretary's 2004 Capital Asset Realignment for Enhanced Services, or CARES, decision determined the need to enhance capacity for outpatient care in South Dakota and targeted two new CBOCs for priority implementation by 2012—one in Wagner, South Dakota; the other in Watertown.

The Secretary has determined that the VISN in which South Dakota is located is below access standards. That the implementation of the CBOCs in Winter and Wagner would enable that VISN to meet its national access standard. I am keenly interested in the progress the VA is making toward implementation of the CBOCs planned to be built in Watertown and Wagner.

I appreciate the good work that the VA has done and note the presence of Dr. Perlin and Mr. Henke here today, and would like to simply bring to their attention the matter of building these community-based outpatient clinics in South Dakota as soon as possible. It is a top priority of mine, and I look forward to any comments the panel may have about ways to expedite that process for implementation.

Again, I want to thank you, Mr. Chairman, for holding the hearing, and I appreciate your ongoing interest in making sure that we have got high-quality health care available to veterans across this country.

I offer that up. Feel free to comment if you would like. My sense is the Chairman is ready to wrap this hearing up. I don't want to belabor the point, but I did want to make that point. It is a priority of mine, and I hope something that we can work together on.

Thank you, Mr. Chairman.

Chairman CRAIG. Any comments you would like to make in return, Dr. Perlin?

Dr. PERLIN. Thank you, Mr. Chairman and Senator Thune.

The Wagner and Watertown clinics are obviously on our radar, and we appreciate your support of the veterans in South Dakota and your identification of this need to us. It is, as I say, on the radar, and we will be evaluating the ability to move these clinics forward.

Chairman CRAIG. Dr. Perlin, gentlemen on the panel, thank you very much for your testimony.

We will continue to track and work with you to keep CARES on track as best we can and to recognize the commitment, the obligation, and the demographics of the veterans populations in our country.

Again, gentlemen, thank you very much for being here.

We have one last panel. We will ask Dennis Cullinan, director for the National Legislative Service for the Veterans of Foreign Wars, to come forward, please.

Dennis, again, welcome before the Committee.

Mr. CULLINAN. Thank you very much, Mr. Chairman.

Chairman CRAIG. Please proceed.

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

Mr. CULLINAN. I shall.

On behalf of the men and women of Veterans of Foreign Wars and the constituent members of the IVA–VSOs, 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 veterans health care system, yet it is frequently one that goes unappreciated, at least until problems arise.

Over the last few years, the construction budget has been overshadowed by the Capital Assets Realignment for Enhanced Services, the CARES process. We will continue to support CARES, so long as VA returns to the primary emphasis of the 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.

It is time to move forward on construction projects called for under CARES, and we are concerned that the Administration's paltry request indicates a continued unwillingness to provide proper funding. It makes no sense to have spent millions of dollars on a planning process not to carry it out.

We must not lose sight of the health care resources that will have been wasted as VA facilities have been forced to make do with insufficient construction budgets while waiting for CARES to play out. VA and veterans in need have far too much invested in this plan.

Further, along with adversely affecting veterans health care, delays cost money. Construction costs have soared throughout the country, especially because of massive rebuilding efforts in the gulf. Construction inflation is roughly 9 percent nationwide and can fluctuate regionally. In some parts of the South, for example, inflation is over 30 percent.

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.

Of particular importance is funding for seismic corrections. Currently, 890 of VA's 5,300 buildings have been deemed at significant seismic risk, and 73 Veterans Health Administration buildings are at exceptionally high risk of catastrophic collapse or major damage.

We also call for funding of an architectural master plan. A big picture design is critical. As the cost of construction rises with inflation, the importance of optimal planning becomes paramount.

We believe that the architectural master plan will also provide a mechanism to address three critical programs 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. We applaud your strong effort in this area, Mr. Chairman. The gulf emergency must be managed with a special al-

location outside of VA's regular construction and medical care appropriations, and providing for the needed dollars within the emergency supplemental is a sound and correct course of action. Again, thank you.

Although the focus of today's hearing is CARES 5-year plan, I would be remiss if I didn't take the opportunity to address one other major shortfall—inadequate nonrecurring maintenance funding. It is especially pressing because NRM funding has lagged far behind what is needed.

By industry standards, VA should spend no less than $1.6 billion in fiscal year 2007 alone. Unfortunately, the Administration has only allocated $514 million for NRM, which will only make the already backlogged maintenance situation worse.

Mr. Chairman, construction certainly isn't as high profile as medical care or claims processing, but it is an integral part and an essential part of VA in how it goes about carrying out its mission now and into the future.

CARES has provided us with a blueprint on how to transform the system and how to more efficiently utilize our resources. Pushing forward on CARES and properly funding all necessary construction projects, although costly, is the right step and is the right thing to do now.

However, should it emerge that CARES construction projects will not be carried out or properly funded, we would have to take a dramatic look at the situation.

This concludes my testimony, and I will be happy to answer any questions you may have.

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

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 healthcare 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 percent nationwide, and can fluctuate regionally—in some parts of the south, for example, inflation is over 30 percent. 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
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 percent 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 fiscal year 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 3-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.

Chairman CRAIG. Well, Dennis, thank you very much.

I have got a couple of questions, and the Ranking Member has just returned. He may have a question or so of you.

I would like to ask you the same question—I think in part you have already answered it—that I asked VA regarding the 2007 minor construction budget request. VA fiscal year 2007 budget request for minor construction is $198 million, of which $150 million will be dedicated to the CARES project.

Those figures are significantly below recent years. Do you believe the $198 million annually is adequate for VA to maintain the infrastructure needed to deliver its world-class care?

Mr. CULLINAN. In a word, no, Mr. Chairman. We have testified in the past in recent testimony that about $600 million for minor construction alone is required. Additionally, with the deficit in nonrecurring maintenance funding, the problems associated with not recapitalizing the system at a proper rate, we think this would be disastrous.

Chairman CRAIG. Dennis, is VFW actively looking for enhanced opportunities for VA to collaborate with DOD following the most recent BRAC round? You heard the question I asked of Dr. Perlin. Are you looking at that? Do you see any enhanced opportunities for furthering CARES objectives through this approach?

Mr. CULLINAN. We are certainly supportive of areas where it will work. Fitzsimons is one such example.

Chairman CRAIG. It is a good example, yes.

Mr. CULLINAN. We have always maintained, however, along with the other veterans service organizations, that it is essential that VA and DOD health care systems maintain their separate identities and their separate approaches to providing health care.

We do believe that VA and DOD and, indeed, other areas that associations and sharing arrangements can be highly beneficial so long as great care is taken to ensure that veterans remain a primary focus in these arrangements.

Chairman CRAIG. OK. Dennis, thank you.

Let me turn to my colleague Senator Akaka for any questions he might have.

Senator AKAKA. Thank you very much, Mr. Chairman.

Mr. Cullinan, as director of the National Legislative Service of Veterans of Foreign Wars of the United States, you have a broad view of how CARES is doing across the country. Your testimony reflected the underfunding of various construction accounts.

In my mind, if the underfunding trend continues, VA will never be able to accomplish the enhancements that are suggested under CARES. The Chairman has just asked you about whether you thought funding was adequate.

Do you think CARES will turn into something that is detrimental to veterans and the VA health care system as a whole?

Mr. CULLINAN. Thank you, Senator Akaka.

One of our greatest concerns all along, fears really, has been that CARES will devise—will turn into a means to actually downsize the VA health care system without providing the proper new facilities and services.

In testimony earlier today, it was indicated that the first phase of CARES 1 is now in the Secretary's hands. This is something we are going to watch. If nothing good comes of this for VA and veterans, I think that then will be the time whether we, veterans service organizations, and, indeed, the Congress have to decide whether CARES should come to an end.

It would be a shame because it is a blueprint to do good things for VA. What has been going on is, as a result of CARES, needed construction projects have been delayed. If this first Phase 1 doesn't emerge with some productive recommendations and funding patterns, then it will be time to look at ending it.

Senator AKAKA. Mr. Cullinan, I would like your comments regarding nonrecurring maintenance, NRM. This is a big priority of

mine for the Department of Defense as well as for VA. I agree that VA needs to pay a lot of attention to NRM.

I was particularly disturbed by allegations that NRM funds were being used last year to address the VHA funding shortfall. I welcome any additional thoughts you may have on this issue.

Mr. CULLINAN. Senator Akaka, that is a conundrum that we are often caught in. You know, it could be put this way. One could argue, well, what do you want to do? Do you want to paint a room or provide a veteran needed medical services? Of course, the answer is needed medical services.

In the long-term and, indeed, the short-term, finally these recurring maintenance projects have to be carried out. It really comes down to providing enough money.

Now NRM is funded within the medical care appropriation as opposed to the other construction projects, and the money has to be in there for those projects. We are now placed in that kind of a bind.

Senator AKAKA. Well, thank you very much.

Thank you very much, Mr. Chairman.

Chairman CRAIG. Danny, thank you very much.

Dennis, thank you for your testimony. You will, I am sure, continue to be observant, as we will be, as we move through this CARES process.

There is no question that we do not want it to turn into what you have expressed it might turn into. Its original intent is something that I think was worthy and appropriate, and we are going to watch it.

The world of health care delivery changes, and we should not assume that any model we used in 1970 is a model to be used in 2010. It is simply a different world, and it is important we transition. Because our goal is, you said it, it is not facility. It is service. How that service gets delivered is important.

Thank you very much.

I guess that concludes our effort here today. The Committee will stand adjourned.

[Whereupon, at 3:30 p.m., the Committee was adjourned.]

A P P E N D I X

PREPARED STATEMENT OF HON. MIKE DEWINE, U.S. SENATOR FROM OHIO

I want to thank Chairman Craig and Ranking Member Akaka for inviting me to support a construction extension for the Louis Stokes VA Medical Center in Cleveland. I appreciate your steadfast dedication for quality health care and other social services for our Nation's veterans. I feel strongly that quality and accessibility should be top considerations in providing healthcare and social services to our veterans and support this effort aimed at providing additional superior care to our increasing population of veterans.

As you know, construction is underway to consolidate the Brecksville and Wade Park VA inpatient facilities in Northeast Ohio. This consolidation will improve the quality of care available to veterans in Northeast Ohio and will result in decreased operation costs, allowing the facility to reinvest those funds inpatient care rather than facility maintenance and duplicate programs. Consolidating the two facilities is expected to save $27 million per year, which, under the enhanced use lease agreement will stay at the center and be redirected to providing patient care.

Once completed, the Louis Stokes VA Medical Center will provide more services than either facility currently provides, including: a poly-trauma center, spinal cord nursing home, and a blind rehabilitation center. I want to highlight two of the improved services that will be available to veterans in Northeast Ohio.

First, a new nursing home will be constructed at the Wade Park facility. Currently, patients at the nursing home and in mental health programs at Brecksville must be sent by ambulance or helicopter to and from Wade Park. This delays their care, and costs additional money that could otherwise be spent on patient care. With a consolidated facility, patients can move from long-term to acute or intensive care in a matter of minutes, without going outside.

Second, the consolidation will allow Cleveland to be the site of a Blind Rehabilitation Center, providing specialty rehabilitation to visually impaired veterans. Cleveland is home to more than 4,700 veterans who are eligible to receive services as blind veterans. Currently these veterans wait up to 1 year to receive this type of rehabilitation and must travel to Chicago to receive it.

In addition to providing superior care to the veterans of northeast Ohio, the consolidated center will improve economic conditions in both Cleveland and Brecksville. The new center will bring as many as 1,300 jobs to Cleveland and is incorporated into a local urban renewal initiative in the Wade Park neighborhood. In addition, it will free up 102 acres of land for development in Brecksville. The Brecksville City Council supports the private development of this land.

I want to again thank the Committee for considering a construction extension for the Louis Stokes VA Medical Center in Cleveland. This facility is truly needed to provide the top quality medical care our veterans deserve and have come to expect. In the words of Teddy Roosevelt in 1903, "A man who is good enough to give his blood for his country is good enough to be given a square deal afterwards." The Louis Stokes VA Medical Center will provide the "square deal" our veterans deserve.

PREPARED STATEMENT OF HON. TRENT LOTT, U.S. SENATOR FROM MISSISSIPPI

I would like to thank Chairman Craig and Ranking Member Akaka for having this hearing on construction and lease authorization needs.

Mr. Chairman, I ask for the assistance of this distinguished Committee in reconstituting as soon as possible the full range and depth of VA healthcare in Mississippi that was available prior to Hurricane Katrina.

Prior to Hurricane Katrina, the Gulf Coast Veterans Health Care System was a five-division system with major hospitals at Gulfport and Biloxi, Mississippi, and three community-based outpatient clinics located in Alabama and Florida.

Approximately 242,000 veterans live in Mississippi today, and almost 40,000 of those veterans received medical care last year from the VA. In fiscal year 2003 alone, VA facilities in Mississippi had 8,966 inpatient admissions and provided 633,758 outpatient visits. Even in the wake of Hurricane Katrina, the number of veterans in my State is projected to significantly increase, not decrease.

The Biloxi VA hospital serves as the general medical facility, providing outpatient and specialty care and inpatient surgical services. Prior to the storm, the Gulfport hospital provided inpatient and outpatient mental health services and also housed an Alzheimer's dementia unit. Gulfport also included a psychology unit, rehabilitation medicine including a therapeutic pool, primary care and audiology.

Since the Gulfport facility sustained major damage in the hurricane, it is my understanding that the Veterans' Administration intends to permanently close the facility and transfer all Gulfport health care services to the Biloxi VA and Keesler Medical Center.

In this regard, the recent markup of the 2006 Emergency Supplemental, by the Senate Committee on Appropriations, included a provision directing the Secretary of Veterans Affairs to transfer the title of the land associated with the VA's medical facility in Gulfport, Mississippi, to the city of Gulfport.

Regarding the full reconstitution of VA healthcare on the Mississippi Coast, the CARES Commission had already proposed in 2004 to transfer all Gulfport health care services to the Biloxi VA or Keesler hospital, renovate the nursing home in Biloxi, and establish a 36-bed blind rehabilitation center at Biloxi.

Last fall, it was my understanding that the VA was engaged "in discussions" with the Air Force to determine if there are opportunities for healthcare collaboration with Keesler Air Force Base in Biloxi as the military replaces their "bed tower" as part of the Base Realignment and Closure (BRAC) process. However, as I noted in a statement before this Committee last November, it is not evident that the Air Force has agreed to take over any of the medical services previously performed by the VA in Gulfport.

In fact, there is no evidence in the 2007 President's Budget Request that the Air Force will embark on any construction or augment any staff at Keesler Hospital in order to accommodate VA patients. Consequently, I still believe it is ill-advised to assume that the Air Force has agreed to take over any of the medical services previously performed by the VA in Gulfport.

The concept of collaborative healthcare will only work if the VA and DOD formally agree on the distribution of capability between Keesler Hospital and the Biloxi VA, and budget for the infrastructure and staff that will be required to achieve that goal and maintain it.

Time is now of the essence. Unless the VA and Air Force can agree in the next 30 days regarding a cooperative plan for military and veterans' healthcare, and commit to fully fund that plan in the fiscal year 2008 budget, I urge the Committee to legislate that the VA expedite the full and independent reconstitution of VA healthcare services on the Mississippi Coast. At the least, this would include construction of a new "Inpatient Blind Rehabilitation Center" and bed tower(s) at the Biloxi VA and renovation of the Biloxi nursing home care unit.

To facilitate such construction and renovation, the Emergency Supplemental Appropriation of December 2005 included $1.2 billion to reestablish VA medical care on the gulf coast, with most of that money designated to replace the VA hospital in New Orleans (which was flooded on the 1st floor, just like Keesler hospital).

Of that $1.2 billion, I understand that less than 20 percent of that money is available to reestablish VA healthcare for Mississippians, by building a new "bed tower" at the Biloxi VA.

Further, the recent markup of the 2006 Emergency Supplemental by the Senate Committee on Appropriations included an additional $623 million for major VA construction projects in New Orleans and Biloxi.

Mr. Chairman, as the Committee does its important work of considering how best to invest in construction of VA facilities, I urge you to support the following:

(1) Commit to reestablishing the full range and depth of VA medical capability that was available in Mississippi prior to Hurricane Katrina;

(2) Authorize the VA to proceed with design and construction of, at the least, the new "Inpatient Blind Rehabilitation Center" and bed tower(s) at the Biloxi VA and renovation of the Biloxi nursing home care unit; and

(3) If veterans' medical care could be further augmented through a partnership between the VA and Keesler hospital, the Committee may consider asking the Air Force and the VA to submit a detailed plan of action to the Congress within the next 30 days to effect such a strategy, including a commitment to fully fund the plan in the fiscal year 2008 President's budget request.

Mr. Chairman, thank you again for the opportunity to participate in this hearing.

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