

**STATEMENT OF  
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BEFORE THE  
HOUSE COMMITTEE ON APPROPRIATIONS, SUBCOMMITTEE ON MILITARY  
CONSTRUCTION, VETERANS AFFAIRS, AND RELATED AGENCIES**

**March 5, 2021**

Good morning, Madam Chair, Ranking Member Carter, and members of the subcommittee, thank you for the opportunity to testify on the state of the Department of Veterans Affairs' infrastructure. Accompanying me today are Mr. Tony Costa, Deputy Executive Director, Construction and Facilities Management, and Mr. Edward Litvin, Deputy to the Assistant Under Secretary for Support, Veterans Health Administration.

VA is responsible for an immense real estate portfolio, maintaining almost 40,000 acres, with more than 157 million square feet across nearly 6,300 VA-owned buildings. The average age of these buildings is approximately 60 years old, with over 2,100 being either historic or eligible for historic status and 1,800 of those still in active use. In the last five years, VA has worked to right size the capital asset portfolio, increasing the owned portfolio by nearly 1.7 million square feet, while disposing of 50 VA-owned buildings that are no longer needed through a combination of modalities such as excess through the General Services Administration and demolition. VA has also increased reliance on leasing, growing from less than 750 leases prior to 2010 to nearly 2,000 in 2020 (166% increase) with leased square footage increasing from approximately 17.6 million square feet to 27.2 million square feet (54% increase). Leasing provides VA flexibility in occupying spaces closest to where Veterans are; provides enhanced access to care for veterans; and allows VA to quickly to changing technology. Where these requirements change, the ability to expand, contract, refresh, or end a lease is more easily accomplished compared to owned infrastructure.

### **Current Improvements**

VA recognizes the critical role that facilities play in delivering health care to Veterans and how we must continue to focus our efforts on the best practices in capital portfolio management that enable better facility outcomes for those we serve.

*Streamlining Internal Processes:* One of the ways that VA has improved access is by improving internal processes and tools that support better leasing methods. A few critical accomplishments in this area include reducing the timeframe from authorization to award for major leases from four years to two years; adopting market-based, standard contract clauses; and improving the pace of minor leasing execution. To improve lease acquisition department-wide, VA established real estate broker contract

vehicles to support leasing activities across the Department. Our partnership with these brokers provides VA with better, faster, market information and execution with extensive and real-time real estate market knowledge. Since fiscal year (FY) 2019, VA centralized funding for the VA major lease program which allows for better planning, budgeting and execution resulting in improved coordination across the enterprise.

VA is also establishing new contract vehicles for construction management services and real estate brokerage to improve enterprise construction project execution capacity. For smaller lease requirements, VA has streamlined processes to greatly improve the time from identification of need to project delivery. This includes as-built leasing efforts that identify opportunities already existing within the community requiring minimal buildout, which give VA the flexibility to more rapidly respond during emergencies like natural disasters and more recently in response to the COVID-19 pandemic. Overall, the Department is aggressively expanding internal and external capacities to execute our budget efficiently and effectively across construction and leasing programs, including continuing strong partnerships with the US Army Corp of Engineers and the General Services Administration.

*Non-traditional tools:* VA also is exploring non-traditional ways to achieve improvements in infrastructure that are beneficial to both Veterans and taxpayers. One example of this is VA's use of energy savings performance contracts—public-private partnerships where an energy services company, or serving utility, designs and installs equipment and system upgrades that conserve VA energy or water, providing guaranteed savings to VA, using third-party financing at competitive rates. Since 2012, VA has awarded nearly a billion dollars' worth of these contracts at more than half of VA medical centers. In FY 2020 alone, VA awarded \$197 million in new energy performance contracts. These projects are expected to result in nearly \$12 million of annual avoided energy and water costs for those facilities and provide positive environmental impacts. VA expects to continue developing a robust portfolio of energy performance contracts to support VA infrastructure needs and improve care to Veterans.

Another non-traditional tool that VA uses is the *Communities Helping Invest through Property and Improvements Needed for Veterans Act of 2016*, also referred to as the CHIP IN for Veterans Act of 2016. This program allows VA to leverage donors to build a facility for VA using private funds. VA's first CHIP IN project in Omaha, Nebraska leveraged \$56 million in appropriated funding and \$30 million in donor funding resulting in a newly constructed 158,000 square foot outpatient facility completed in less than two years. VA is currently working on a second project with a donor group in Tulsa, Oklahoma and looks forward delivering a state-of-the-art, approximately 260,000 square feet inpatient facility, with medical, surgical, ICU, and rehabilitation beds, for Veterans in the Tulsa area.

VA also uses an innovative capital asset management tool called Enhanced-Use Leasing (EUL) to more effectively use its unneeded real property assets. VA has used its current EUL authority to develop housing projects that include both transitional and

permanent supportive housing for Veterans who are homeless or at risk of homelessness. Under these EULs, the lessee secures financing to renovate or construct the facility and is responsible for operating the facility for the life of the lease. By the end of FY 2020, there were 48 EUL projects with a housing component in operation, providing 3,203 units of housing with another 369 units currently under construction or awaiting construction. Many other Veteran services have resulted from VA's EUL authority including hospice centers, mental health facilities, expanded parking, and child-care facilities. VA is proud of this program and how it supports our most at-risk veterans and their families. VA looks to Congress for their continued support of VA's CHIP-IN and EUL authorities.

### **VA Financial Obligations**

In addition to improving business processes and innovating to meet infrastructure needs, VA ensures we execute our funding. Since 2019, VA has obligated over \$2 billion on critical projects in the major construction program, \$1.3 billion in the minor construction program including plus-up funding, and over \$3 billion in the non-recurring maintenance (NRM) program, including plus-up funding, through December 31, 2020. These resources have funded a wide array of projects including large health care facility improvements, cemetery expansions, community living center renovations, new mental health clinics, women's health clinics, IT facility infrastructure (including infrastructure to support implementation of the new electronic health record), realignment of Veterans Benefits Administration regional offices, and correcting facility deficiencies across the portfolio.

In FY 2018 and 2019, Congress appropriated a combined \$4 billion to support infrastructure improvements across VA's capital programs, allowing VA to undertake additional projects in multiple programs. To support this effort, VA established a centralized process to monitor the execution of these "plus-up" funds, including minor construction, NRM, state home grant projects, and major construction.

VA has taken a very focused approach to addressing potential delays in execution of these plus-up funds, and as a result has begun to see an increase in plus-up obligations over the past fiscal year. As of December 31, 2020, VA had obligated \$1.5 billion (75%) of the \$2 billion in FY 2018 plus-up funds received. While the FY 2019 NRM plus-up program has not seen as large an increase in obligations, with \$294 million obligated of the available \$800 million, the FY 2019 minor plus-up program has seen a steady increase with \$90 million obligated of the \$150 million available through December 31, 2020.

## **VA Capital Planning**

With the breadth and age of VA's infrastructure, continuously assessing future needs are critical to ensuring facilities enable service delivery. As communicated through VA's 2021 Long-Range Action Plan, VA estimates it need between \$49 billion and \$59 billion, plus activation costs to bring online any new or expanded facilities developed as part of projects in the Long-Range Capital Plan. Specifically, for FY 2021, VA received \$3.6 billion for major construction, minor construction, and NRM capital programs. To ensure VA's capital request addresses the Department's highest capital priorities, projects are prioritized using the Strategic Capital Investment Planning (SCIP) process.

SCIP is used to inform current and future year budget requests to improve the delivery of services and benefits to Veterans, their families, and survivors by addressing VA's most critical performance gaps over a 10-year horizon. These infrastructure priorities are approved by the Secretary to ensure they are closely aligned not only with the Department's strategic goals and mission but also incorporating priorities of local medical centers and service delivery locations that may be unique.

## **VA Challenges**

VA recognizes that we still have challenges in our capital programs, across the asset lifecycle phases. One of VA's challenges is obtaining Congressional authorization for major leases and projects. We are currently waiting on authorization for 13 major leases and four major construction projects, as requested in the FY 2021 Budget, in order to expand health care access. We look forward to working with Congress on addressing this important issue.

Another challenge is the time between when a need is identified and when VA completes project execution. Changes in healthcare technology and service demand delays finalizing project requirements thus delaying execution. While achieving the optimal solution is our goal, the resulting delay in project completion often results in delayed service and higher costs. VA is working to address this by moving more detailed planning earlier in the process, allowing us to begin execution more quickly.

VA also continues to experience challenges with project scope management. In some cases, changes in service demand, technology, priority, or requirements that have not been fully developed can cause delays in project delivery and may require additional time and resources to redesign and execute the project. VA is strengthening our oversight and approval processes to instill discipline by providing flexibility to make changes when needed while also maintaining scope and delivering facilities in a timely manner.

The COVID-19 pandemic has also presented a new and unique challenge to facilities. Direct impacts have occurred as some projects have been delayed. There have also been indirect impacts, such as staff and resources being re-directed to meet

pandemic response, as well as having to quickly adjust facility layout to support screening, distancing, virtual care modalities, and vaccine deployments. While many improvements have already been made to internal processes and oversight, VA must continue its focus on addressing its challenges in managing capital projects.

### **Ongoing Improvements**

VA continues to move forward on strategic and transformative improvements to the capital programs, as well as addressing tactical needs. Ensuring a robust requirements development process, prioritizing critical infrastructure needs and how they are budgeted for, and deeper analysis on the impacts of a growing lease portfolio are focus areas in our continuing improvement efforts.

As we progress on strategic and systematic improvements, we must be cognizant of the ongoing Veterans Health Administration (VHA) market assessments and subsequent Asset Infrastructure Review (AIR) commission work. Further, the impact of the COVID-19 pandemic and lessons learned must be applied to the VHA infrastructure portfolio to effectively and efficiently meet Veteran health care delivery while supporting VA's Fourth Mission. The outcome will shape VA's future healthcare delivery network. Improvements in capital infrastructure business processes will achieve better outcomes.

VA has taken important steps to improve our capital programs and processes. Smaller improvements, such as adding contracting capability to assist VA's portfolio and internal process changes, combined with larger undertakings, such as collaboration across the enterprise on investment planning and improving time to deliver assets, are solid building blocks for driving change. VA continues to develop strategic opportunities to best deliver health care through medical center campuses, leased facilities, and affiliated partners.

VA is appreciative of Congress and this subcommittee's investment in the capital program. We look forward to working with you to find innovative ways to improve our program.