



Statement of

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Before the

House Veterans' Affairs Subcommittee on Health

Regarding

**Draft Legislation Regarding VA Leasing of Facilities
Enhanced-Use Lease Authority, Capital Asset and Construction Matters**

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Mr. Chairman and members of the Subcommittee Paralyzed Veterans of America (PVA) is pleased to present our views on proposed legislation affecting various matters concerning property management of the Department of Veterans Affairs (VA) facilities. VA's significant inventory of real estate and physical infrastructure is a truly remarkable asset in the provision of health care and benefit delivery to veterans. At the same time, these facilities must be properly managed and

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cared for to insure that the investment made in the use of these buildings and properties coincides

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with the benefits derived from their use.

Some years back, the General Accounting Office presented this Subcommittee with nothing more than a best guess “hunch” that VA was potentially wasting a significant amount of money on maintaining unused or underutilized facilities. Whether the scope of their report was accurate or not, the revelation sparked the move to conduct a bottom up and top down review of all VA facilities through the CARES process. PVA was generally pleased with CARES as long as the ultimate goal of the process was not just the closure of facilities but the general modernization and enhancement of services to veterans through a stronger and more efficient VA health care system.

The CARES report, in fact, called for strengthening one of VA’s core missions, spinal cord injury (SCI) treatment centers. However, while recognizing the need for additional SCI centers, the final CARES decision document released in May of 2004 raised considerable concern within PVA because of its vagueness. The report stated that “VA will validate the number of SCI/D beds to ensure the appropriate need for and distribution between acute and long-term beds.” The report also stated, “VA plans will include the potential for new SCI/D centers in Syracuse, Denver, Minneapolis and in VISN 16, and a certified outpatient clinic in Philadelphia, as well as expansions of existing SCI/D centers in Memphis, Cleveland, Augusta and Long Beach.”

This new language citing “the potential” for expansion of SCI centers and beds and calling for further “validation” made PVA question VA’s commitment to these much needed expansions. PVA had repeatedly provided the CARES commission with VA’s own verified studies of demographics and needs based patient surveys clearly indicating these new and expanded facilities were fully warranted and justified.

On May 19th PVA leadership met with Secretary Principi to explain our concerns about further validation of the data and outlined the problematic CARES document language. We are pleased that the Secretary has agreed that the language was wrongly written and that it was not his intent to waver on the new SCI initiatives contained in the CARES report. The Secretary has assured PVA that the language will be corrected.

I mention this situation as an example of how PVA and this Subcommittee have to remain vigilant to make certain that the ultimate goal of the CARES process remains the enhancement of services to veterans. This will require continuing careful scrutiny and good faith on the part of the Administration, VA and Congress to provide the resources to see that these improvements are made. In the same manner, as the VA begins with the manipulation, sale or leasing of its infrastructure, facilitated in the legislation before the Subcommittee today, great care must be taken to ensure that the value and equity in VA's physical property is not squandered. That equity does not belong to the VA or the Federal Government; it belongs to the veterans of the nation for their future good. With any rearrangement of VA facilities great care should be taken to make certain the present as well as the future needs of veterans are fully accounted for.

With that caveat, we believe the legislation before the Subcommittee does provide the VA with improved flexibility in leasing unused or underused properties. VA enhanced use lease authority is almost unique among other federal departments and agencies.

Unfortunately, however, the process has been called cumbersome and time consuming, discouraging VA Administrators from wanting to expend the effort to use this route in dealing with a property. Such a lengthy process also greatly discourages potential private sector entities from considering VA properties as a potential investment asset. This legislation authorizes the VA to further streamline the enhanced use leasing process to the benefit of both the VA and those in the

private sector wishing to invest in VA properties. Likewise, it facilitates the process by which VA may dispose of properties ensuring that the proceeds are used to the future benefit of the veteran population.

The second major element in the legislation is the establishment of a Capital Assets Fund to serve as the repository for the proceeds from the sale or lease of VA properties and then acting as the conduit for the reinvestment of those proceeds for the improvement of other VA facilities. PVA strongly supports this provision which would allow VA to keep the equity and the income from property it conveys, and, in the spirit of the CARES process, use those proceeds for the improvement of health care and benefit delivery for veterans. We have two areas of caution, however. First, VA, with proper Congressional oversight, must ensure that that VA receives fair market value and appropriate leases for these properties. Second, Congress, in authorizing the Capital Assets Fund must be very specific in defining what these funds can be used for. PVA has great concern, just as in the case of third party collections or any other alternative funding mechanism VA uses that the Capital Assets Fund might be looked upon by the Office of Management and Budget, Congressional Budget and Appropriations Committees as an alternative to, and not over and above regular funding for VA health care. We do not want to see VA major and minor construction funding or non recurring maintenance budget line items offset by Capital Asset Fund disbursements.

We would like to commend the Subcommittee for including historic preservation of VA structures as a recipient of Capital Asset Funding. The FY 2005 Independent Budget (IB) co-authored by AMVETS, DAV, PVA, and Veterans of Foreign Wars makes a very direct recommendation on the protection and preservation of VA's extensive inventory of historic structures. The IB recommended a \$25 million VA fund for FY 2005 to be used to stabilize, preserve and reuse

appropriate VA historic structures. Funds should also be provided to make grants to local and national non-profit organizations for preservation activities related to VA facilities. The CARES Commission Report also recommended that VA move to address this issue. Without objection I would like to submit the The Independent Budget Historic Preservation Recommendations for the record as well as those citations on historic preservation in the CARES Commission Report.

VA owns almost 2,000 historic structures. Many are suffering from neglect and deteriorate further every year. VA has a moral responsibility to maintain these examples of the national legacy we share in caring for the American veteran. The Department is also bound by other federal statutes requiring it to care for them as well. Other federal departments and agencies have come to grips with this problem, finding alternative uses or divesting themselves of historic properties through leasing or sale. VA, if given the incentives can do the same. VA must inventory its historic structures and establish broad classifications regarding their current physical condition and their potential for adaptive reuse. The Capital Asset Fund is a logical source for renovation funding or stabilization for enhanced use leasing to help VA turn many of these structures from liabilities to assets. We strongly recommend that this legislation be amended to make historic preservation one of the optimum goals of VA enhanced use leasing authority.

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