March 2, 2016

The Honorable Charlie Dent
Chairman
Subcommittee on Military Construction
Veterans Affairs and Related Agencies
2211 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Sanford Bishop, Jr.
Ranking Member
Subcommittee on Military Construction,
Veterans Affairs and Related Agencies
2407 Rayburn House Office Building
Washington, D.C. 20515

RE: Department of Veterans Affairs FY 2017 Appropriations Request

Dear Chairman Dent and Ranking Member Bishop:

On behalf of the Associated General Contractors of America (AGC) and its 26,000 commercial construction company members, thank you for your sincere interest in and efforts to improve the Department of Veterans Affairs (VA) construction program. With the significant reforms appropriators and authorizers passed into law last year, it is critical that the VA receive adequate construction funding to implement those reforms in FY 2017. As such, we urge you to reject the president’s proposed draconian 45 percent cut to the VA’s major and minor construction accounts for FY 2017 and hope you consider the additional improvements to the VA construction program that we suggest below.

To help ensure the safe, efficient and timely delivery of major VA construction projects, Congress passed into law a measure that requires a federal construction owner other than the VA—like USACE—to execute VA construction projects valued at or more than $100 million. Additionally, the FY 2016 omnibus appropriations law further encourages the VA and USACE to begin this new process. The VA has also considered and is implementing improvements to its own construction program, as suggested by AGC. These reforms include establishing decision review boards, conducting industry peer reviews of projects, adopting an electronic construction management tool, and providing more training for staff.

To implement these congressional reforms and AGC-recommended improvements, the VA needs adequate construction funding, not cuts, to:

- Pay for the USACE management fee, which USACE charges for executing other federal agencies’ construction projects. The management fee helps ensure that USACE has sufficient and quality staff that is necessary to execute other agencies’ projects;

- Hire, train, and execute decision review boards (DRB). Each project would consist of a DRB, consisting of three representatives: (1) a representative appointed by the prime contractor; (2) a representative appointed by the VA; and (3) a neutral third party representative. During construction, the DRB would meet every 30 days to review unresolved issues and execute decisions to ensure the project remains on schedule and on budget, while considering the project requirements and needs of the facility for its final customer: the veteran.

- Manage an effective industry peer review program. Like the program successfully instituted by the General Services Administration (GSA), a VA industry peer review program would utilize the knowledge and experience of outstanding senior managers in the construction industry to evaluate ongoing construction projects. These peers serve on small panels that visit project sites nationwide in the early stages of construction to evaluate the performance of project teams, which consist of personnel from VA, the construction contractor, the design architect/engineer and the
The evaluations provide critical feedback on the ability of the teams to work together and deliver successful projects and list action items to implement.

- Procure a commercially available, off-the-shelf electronic construction management tool for use VA-wide through which contractors and VA construction representatives would trade correspondence and measure progress. Such a system would allow for oversight over all levels of VA construction and provide the DRBs and peer review panels with valuable information. This would be a major step in an effort to hold the VA accountable.

- Effectively train their construction personnel. The VA last year conducted several, intense construction management training sessions conducted with construction experts from the public and private sector.

Furthermore, the need for new and renovated facilities to meet the needs of the nation’s veterans does not abate when funds are cut from the VA construction program. There are dozens of construction projects in the queue that are ready for planning, engineering, design and construction consideration. The president’s proposed 45 percent cut—about $750 million—will not help ensure that those projects are delivered in a safe, efficient or timely manner. Rather, such a cut will further delay the delivery of needed VA medical hospitals and clinics throughout the nation. Consequently, we urge you to reject the president’s proposal and continue to adequately fund the VA construction major and minor accounts in FY 2017.

Lastly, AGC believes that your subcommittee should consider two additional measures to address the VA construction program. First, we ask that you consider providing the VA construction program with a carrot—not a stick—to evidence that it is making progress. As such, AGC proposes that you consider a VA major hospital construction project pilot program. Under such a program, the VA—at its discretion and with the approval of relevant congressional committees—would be allowed to execute one major hospital construction project (at or above $100 million). The VA would utilize one of two types of procurement and project delivery methods: (1) design-build; or (2) design-bid-build with the ability to submit betterments regardless of VA standards for designs and specifications. Such a pilot program would help encourage the VA to continue to improve and give the construction industry the opportunity to deliver a world-class hospital project.

Second, the same problems that plagued the VA’s major construction program—cost overruns, project delays, indecision, and legal action—continue to a great extent in the VA’s minor construction program. A host of service-disabled, veteran-owned small businesses that perform this work constantly report these problems. However, there are few, if any, studies—government or otherwise—detailing such problems. In an effort to provide Congress with sufficient information to conduct oversight, AGC suggests that you consider requesting a GAO report or other government study to delve into the issues surrounding the VA’s minor construction program.

Again, we appreciate your efforts to improve the construction delivery of medical facilities for our nation’s veterans. Thank you for your consideration of our requests to reject the president’s drastic cuts to the FY 2017 VA construction programs and to adopt a pilot program and study into VA construction.

Sincerely,

Jeffrey D. Shoaf
Senior Executive Director, Government Affairs

CC: Members of the House Appropriations Committee