AGC Position on the U.S. Department of Veterans Affairs Construction Program

**Background**
The primary mission of the U.S. Department of Veterans Affairs (VA) is to dutifully care for the health of our nation’s veterans. To support that mission, the VA has over 1,800 facilities ranging from large hospitals to small out-patient clinics and office buildings throughout the country.

Within the VA, the Office of Construction and Facilities Management (CFM) and a system of 22 separate Veterans Integrated Service Networks (VISNs) under the Veterans Health Administration (VHA) support construction and maintenance needs of the agency’s facilities. As mandated by law, CFM executes projects valued above $10 million and the VISNs execute projects equal to or less than $10 million. CFM does not have authority over the VISNs construction program and there appears to be little coordination between the two entities.

**Position**
The Associated General Contractors of America (AGC) urges Congress to enact a thoughtful transition of the VA’s major construction program to the best qualified federal construction agency and to investigate the minor construction program. As such:

1. AGC holds that the Department of Veterans Affairs Office of Construction and Facilities Management should be removed as the construction manager of the Department’s major construction program and another federal agency with a superior and well-qualified record of construction management should execute the VA’s major construction program;
2. AGC urges Congress to enact reforms to the VA’s design and construction decision making process when the agency is the client of another federal construction agency. Such reforms should ensure the efficient and sensible inclusion of the VA’s input on the project—i.e., expectations and needs for the project—while also allowing the federal construction agency to effectively execute and deliver the project; and
3. AGC urges Congress to perform greater oversight and conduct additional studies of the VA’s minor construction program.

Since its founding in 1918, AGC has never called for the removal of a federal construction agency from managing its own construction program. However, we have continuously and vociferously advocated for well-trained federal construction and design professionals to execute agency construction programs. AGC comes to this conclusion after much thought, debate and many years of consideration. This consideration is underscored by decades of difficult contractor experience with the agency and numerous Government Accountability Office reports issued over several decades noting persistent project cost overruns and delays that CFM still grapples with today.¹

**AGC Working Group on VA Construction**
AGC will form a working group of experienced and highly regarded construction contractors to further articulate a thoughtful transition of the VA’s major construction program to the best qualified federal construction agency. The working group will help inform AGC’s ongoing discussions with Congress and the VA.

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¹ One U.S. General Accounting Office, the precursor to the Government Accountability Office, report from 1981 notes that “[t]he actual cost of new or replacement projects . . . which VA built during the 1970s averaged about 58 percent higher than the original cost estimates VA provided to Congress. Change orders increased construction contract amounts by about 8 percent.” U.S. GOVERNMENT GENERAL ACCOUNTING OFFICE, OPPORTUNITY TO REDUCE THE COST OF BUILDING VA MEDICAL FACILITIES, DEC. 31, 1981 available at: [http://www.gao.gov/assets/140/136184.pdf](http://www.gao.gov/assets/140/136184.pdf). The report goes on to note that “staff found that cost estimates for 28 major hospital construction projects had increased an average of 81 percent from their original budget submission to the Congress. Individual cost estimates had increased as much as 391 percent.” Id. On January 21, 2015, GAO testified that the VA’s four largest hospital projects have experienced cost increases ranging from 66 percent to 144 percent. . . The delays now range from 14 to 86 months.” GOVERNMENT ACCOUNTABILITY OFFICE, VA CONSTRUCTION: VA’S ACTIONS TO ADDRESS COST INCREASES AND SCHEDULE DELAYS AT MAJOR MEDICAL-FACILITY PROJECTS, JAN 21, 2015 available at: [http://gao.gov/assets/670/667985.pdf](http://gao.gov/assets/670/667985.pdf). Since 1981, AGC’s research has found that GAO has issued at least 20 reports related to the VA’s construction and real estate management programs highlighting similar issues.