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VA 4

THE PRESIDENT HAS SEEN *[Handwritten initials]*



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

FEB 26 1975

[Handwritten initials]

MEMORANDUM FOR THE PRESIDENT

Subject: VA Medical Project in Houston, Texas

Representative Olin Teague may raise the subject of a new medical research and education building for the Houston VA Hospital. Mr. Teague has been one of the sponsors of this \$5.3 million project. Learning that the project was excluded from the 1976 budget, Mr. Teague has sent word via House Veterans Affairs Committee staff that he wants the project funded.

Background

1. Planning and design of the research and education building has been completed with prior year funds. The project is ready for the construction phase. This past November, Administrator Roudebush had written Mr. Teague that construction bids would be invited early this calendar year.
2. The 1975 Appropriations Committee reports called for funding of the Houston project (and the Senate report supported a similar project in Jackson, Mississippi).
3. In the 1976 budget decisions, construction funding for Houston, Jackson, and other research and education projects was deferred beyond 1976 for the following reasons:
 - a. Priority of direct patient care over medical education and research. The decision was to concentrate VA construction funds upon the deficiencies in VA hospitals identified by the mid-summer Quality Survey report. Together with funds required to complete major hospital projects already underway, the new funds for "Quality Survey" projects bring the VA 1976 construction budget to an all-time high of \$404 million.
 - b. Budgetary constraints. Even this relatively high level of funding did not cover all of the Quality

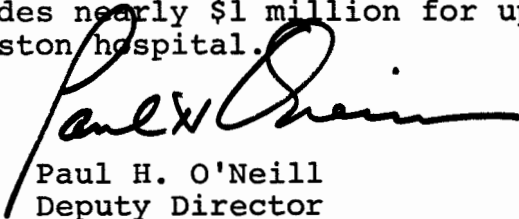
Survey projects, leaving some air-conditioning for later years. Second priority projects such as Houston were among some \$220 million in VA construction fund requests not accommodated in the 1976 budget.

Options for responding to Mr. Teague

It would be possible for VA to reprogram unobligated construction funds to proceed with the Houston project. This option would please Mr. Teague and could be justified as a stimulus to construction (albeit Houston is an area of relatively low unemployment). This option, however, carries at least two penalties:

- Budgetary penalty. The Houston project is one of seven Medical Research and Education projects nearly ready for the construction phase, involving an additional cost of \$35 million. The VA construction budget will accommodate reprogramming for any of these projects only at the cost of canceling or deferring higher priority projects or requesting additional funds. It would be difficult to find program reasons why a departure from the budget for Houston should not apply to similar projects in the domains of other Congressmen.
- Policy penalty. A close look at Research and Education projects, recently undertaken by OMB staff, indicates the desirability of a basic re-examination of this type of project. The effect of such projects is to confer new space upon researchers in locations where patient space is poor and overcrowded--and, given resource constraints, to put off or minimize improvements for the latter.

Mr. Teague could be told that there is a possibility the research and education building will be funded in later years and that data from VA's ongoing evaluation of this and similar projects will be shared with him. Meanwhile, to assure a continuing high quality of patient care, the budget for 1975-76 provides nearly \$1 million for upgrading space in the Houston hospital.



Paul H. O'Neill
Deputy Director