



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

July 9, 2003

H.R. 1720 **Veterans Health Care Facilities Capital Improvement Act**

As ordered reported by the House Committee on Veterans' Affairs on June 26, 2003

H.R. 1720 would primarily authorize appropriations for major construction and the leasing of two medical facilities by the Department of Veterans Affairs (VA). The bill would specifically authorize \$332 million for 2004 for specific construction projects and another \$500 million in 2004 and \$600 million in 2005 for unspecified major construction projects that would be chosen by the Secretary of Veterans Affairs.

The bill also would authorize VA to lease two medical facilities for annual lease payments that could not exceed \$9.5 million a year. H.R. 1720 also would raise the threshold for projects to be financed out of the appropriation for major medical facility construction from \$4 million to \$6 million. (Thus, under the bill, projects costing up to \$6 million would now be considered minor construction.) Finally, the bill would name the health care facility of the Department of Veterans Affairs located at 820 South Damen Avenue in Chicago, Illinois, as the "Jesse Brown Department of Veterans Affairs Medical Center."

CBO estimates that implementing H.R. 1720 would cost \$46 million in 2004 and almost \$1.4 billion over the 2004-2008 period, assuming appropriation of the authorized amounts. The bill would not affect direct spending or receipts.

H.R. 1720 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 1720 is shown in the following table. This estimate assumes the legislation will be enacted by the end of fiscal year 2003, that the necessary funds for implementing the bill will be provided for each year, and that outlays will follow historical spending patterns for existing or similar programs. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars					
	2003	2004	2005	2006	2007	2008
Spending Under Current Law for Major Construction of Veterans' Medical Facilities						
Authorization Level ^a	99	0	0	0	0	0
Estimated Outlays	174	151	98	47	15	4
Proposed Changes						
Estimated Authorization Level	0	842	610	10	10	10
Estimated Outlays	0	46	260	442	405	230
Spending Under H.R. 1720 for Major Construction of Veterans' Medical Facilities						
Estimated Authorization Level ^a	99	842	610	10	10	10
Estimated Outlays	174	197	358	489	420	234

a. The 2003 level is the amount appropriated for that year.

BASIS OF ESTIMATE

H.R. 1720 contains provisions that would authorize appropriations for major construction and the leasing of two medical facilities by the Department of Veterans Affairs. Taken together, CBO estimates that implementing these provisions would cost \$46 million in 2004 and almost \$1.4 billion over the 2004-2008 period, assuming appropriation of the authorized amounts.

Section 2 would authorize \$500 million in 2004 and \$600 million in 2005 for major construction projects including constructing, improving, replacing, renovating, and updating VA medical centers. Rather than authorize funds for specific facilities, this provision would give the Secretary of Veterans Affairs discretion in choosing the projects. CBO estimates that implementing this provision would cost \$22 million in 2004 and about \$1 billion over the 2004-2008 period, assuming appropriation of the authorized amounts.

Section 3 would authorize \$332 million for 2004 for the construction, renovation, and improvement of VA medical facilities in Chicago, Illinois; San Diego, California; West Haven, Connecticut; Columbus, Ohio; and Pensacola, Florida. CBO estimates that implementing this provision would cost \$15 million in 2004 and \$332 million over the 2004-2008 period, assuming appropriation of the authorized amount.

Section 3 also would authorize VA to lease two medical facilities for annual lease payments that could not exceed \$9.5 million a year. One medical facility would be located in Charlotte, North Carolina. Under the bill, the annual lease payment for that facility could not exceed \$3 million a year. While the bill does not specify the length of the lease, according to VA, it expects that to lease this facility for 20 years. Based on information from VA, CBO believes this lease would meet the criteria for an operating lease. The second medical facility would be located in Las Vegas, Nevada. Under the bill, the annual lease payment for that facility could not exceed \$6.5 million a year. According to VA, it does not currently have information or plans for leasing any new facilities in Las Vegas. For the purposes of this estimate, CBO assumes that this lease also would meet the criteria for an operating lease. CBO estimates that implementing these leases would cost \$9 million in 2004 and \$47 million over the 2004-2008 period, assuming appropriation of the necessary amounts.

Finally, section 7 would name the health care facility of the Department of Veterans Affairs located at 820 South Damen Avenue in Chicago, Illinois, as the “Jesse Brown Department of Veterans Affairs Medical Center.” It also would require that any reference to such outpatient clinic in any law, map, regulation, document, paper, or other record of the United States be considered to be a reference to the clinic by the new name. CBO estimates that implementing this provision would have a negligible cost, subject to the availability of appropriated funds.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 1720 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATES

On May 13, 2003, CBO transmitted a cost estimate for H.R. 1908, a bill to name the health care facility of the Department of Veterans Affairs located at 820 South Damen Avenue in Chicago, Illinois, as the “Jesse Brown Department of Veterans Affairs Medical Center,” as introduced on May 1, 2003. On May 19, 2003, CBO transmitted a cost estimate for H.R. 1562, the Veterans Health Care Costs Recovery Act of 2003, as ordered reported by the House Committee on Veterans’ Affairs on May 15, 2003. The provisions in those bills regarding the naming of the health care facility of the Department of Veterans Affairs located at 820 South Damen Avenue in Chicago, Illinois are identical to section 7 of H.R. 1720 and the estimate of negligible cost is the same in all three estimates.

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