



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

August 30, 2006

**H.R. 5815
Department of Veterans Affairs Medical Facility
Authorization Act of 2006**

*As ordered reported by the House Committee on Veterans' Affairs
on July 20, 2006*

SUMMARY

H.R. 5815 would authorize funding for the construction, renovation, improvement or leasing of over two dozen medical facilities by the Department of Veterans Affairs (VA). The bill would specifically authorize the appropriation of \$578 million for four projects in 2006, \$1.76 billion for 18 projects in 2007, and \$52 million for the leasing of eight clinics in 2006 and 2007. It would also authorize VA to sell a certain property to the city of Fort Thomas, Kentucky.

CBO estimates that implementing H.R. 5815 would cost \$114 million in 2007 and about \$2.4 billion over the 2007-2011 period, assuming appropriation of the necessary amounts. (We estimate no additional spending in fiscal year 2006 since the year is nearly completed. Most of the 2006 funding authorized by H.R. 5815 has already been appropriated.) CBO estimates that enacting the bill would also affect direct spending in 2007, but that the changes would have no net effect.

H.R. 5815 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments. Louisiana State University would benefit from the authorization of a joint project with the VA, and the city of Fort Thomas, Kentucky, would benefit from the conveyance of land. Any costs to those entities would be incurred as a condition of participating in voluntary federal activities.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5815 is shown in the table below. This estimate assumes the legislation will be enacted near the end of fiscal year 2006, that the necessary funds for implementing the bill will be provided 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) and 800 (general government).

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
SPENDING SUBJECT TO APPROPRIATION^a						
Spending Under Current Law for Major Construction of Veterans Medical Facilities						
Budget Authority	1,583	0	0	0	0	0
Estimated Outlays	167	412	504	499	273	128
Proposed Changes:						
Major Medical Facility Projects						
Estimated Authorization Level	168	1,770	476	0	0	0
Estimated Outlays	0	114	544	736	607	292
Leases for Medical Facilities						
Estimated Authorization Level	0	52	20	20	20	20
Estimated Outlays	0	0	0	46	23	20
Total Changes						
Estimated Authorization Level	168	1,822	496	20	20	20
Estimated Outlays	0	114	544	782	630	312
Spending Under H.R. 5815						
Estimated Authorization Level	1,751	1,822	496	20	20	20
Estimated Outlays	167	526	1,048	1,281	903	440

a. H.R. 5815 also would affect direct spending, but the changes would have no net effect.

BASIS OF ESTIMATE

H.R. 5815 contains provisions that would authorize appropriations for major construction and the leasing of medical facilities by VA. It also would require VA to prepare several

reports addressing specific construction issues. In addition, it also would authorize the sale of VA property to a local government.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 5815 would cost \$114 million in 2007 and about \$2.4 billion over the 2007-2011 period, assuming appropriation of the necessary amounts (see the table above).

Major Medical Facility Projects. Sections 2 through 6 would authorize work on a number of medical facility projects. CBO estimates that implementing these five sections would cost \$114 million in 2007 and about \$2.3 billion over the 2007-2011 period, assuming appropriation of the necessary amounts.

Section 6 would authorize the construction, renovation, repairs and upgrades of 17 medical facilities across the country. Projects range from the construction of a new medical center facility in Las Vegas to the expansion of the Spinal Cord Injury Center in Tampa. The bill would authorize \$1.76 billion in 2007 for these projects.

Sections 2 and 3 would authorize for 2006 the restoration or replacement of two medical centers damaged by Hurricane Katrina, for which most of the necessary funding has already been appropriated. Public Law 109-148 provided almost \$293 million for the restoration of the Biloxi, Mississippi, medical center, and Public Law 109-234 provided almost \$36 million for the cleanup of this center (along with another nearby medical facility). Based on VA's current estimate of the total costs of \$310 million, CBO estimates no more funds would need to be appropriated to restore the Biloxi medical center.

Public Law 109-148 provided \$75 million for the planning of a replacement facility in New Orleans, and Public Law 109-234 provided \$550 million for construction of this project. Based on VA's current estimate of the total construction costs of \$636 million, CBO estimates that the bill would authorize the appropriation of an additional \$11 million for the New Orleans medical center. (That amount is included in the estimated authorization level for 2007 in the table above.)

Section 5 would authorize the appropriation of funds to be used for the purchase of land for a new medical center in Denver. In 2004, \$30 million was appropriated for this project, and H.R. 5815 would authorize an additional \$98 million for 2006, much of which would be used to acquire the necessary land.

Section 4 would authorize the Secretary of VA to enter into an agreement with the Medical University of South Carolina to design, construct, and operate a medical facility in Charleston to replace the existing VA medical center. The bill would specifically authorize \$70 million in 2006 for the planning of this facility. A December 2005 report from a working group that studied the feasibility of this joint venture advised that the construction model which would optimize the benefits for each party could cost \$546 million to design and build. Because this construction project was not listed as one of VA's priorities in the 2007 budget request, CBO assumes that building this facility would not begin until 2008.

Leases for Medical Facilities. Section 7 would authorize the Secretary of VA to lease facilities for eight outpatient clinics. VA reports that there would be no spending for any of these leases until 2009 because all of the facilities would have to undergo improvements that would allow them to be used as clinics. For all eight clinics, the bill would authorize the appropriation of \$52 million to make lump-sum payments for the cost of modifications along with the first year's rent when construction is complete. (That amount is included in the estimated authorization level for 2007 in the table above.)

Though the bill only authorizes payments for the first year, CBO assumes that VA would enter into 20-year agreements at an estimated cost of about \$20 million a year. Thus, CBO estimates that implementing this section would cost \$46 million in 2009 and \$90 million over the 2009-2011 period, assuming appropriation of the necessary amounts.

Other Provisions. The following provisions would have an insignificant budgetary impact on discretionary spending:

- Sections 9 and 13 would require VA to prepare reports on the options and costs for the construction of two new medical facilities.
- Section 11 would create a new position in VA to oversee construction projects and facilities management.
- Section 12 would require VA to prepare a business plan for improved access to care in four specific areas of the country.

Direct Spending

Section 10 would authorize VA to retain and spend the funds received from the sale of specified land and buildings to the city of Fort Thomas, Kentucky. Based on information from VA, CBO expects that, under H.R. 5815, VA would sell that property for about

\$3 million. CBO believes that VA would not sell the property without the authorization to retain the funds, which is not allowed under current law. Since the proceeds from the sale would be spent, however, there would be no net effect on direct spending.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5815 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On August 3, 2006, CBO transmitted a cost estimate for S. 3421, a bill to authorize major medical facility projects and major medical facility leases for the Department of Veterans Affairs for fiscal years 2006 and 2007, and for other purposes, as ordered reported by the Senate Committee on Veterans' Affairs on June 22, 2006. Many of the provisions in H.R. 5815 are similar or identical to provisions in S. 3421, and would have similar or identical costs. The differences in estimated costs between those estimates reflect differences in the bills.

Sections 2 and 3 of H.R. 5815, which would authorize the construction of facilities in New Orleans and Biloxi, are similar to parts of section 1 of S. 3421, and the estimated costs for those facilities are identical. Section 5, which concerns the replacement of a medical center in Denver, would authorize the appropriation of \$98 million for that project, while the Senate bill would authorize \$52 million. Section 4 of H.R. 5815 would authorize a facility in Charleston, while S. 3421 contains no such provision.

Section 6 of this bill, which would authorize several construction projects for 2007, is similar to section 2 of S. 3421, except that H.R. 5815 would not authorize seismic corrections for a medical center in San Juan, Puerto Rico. The differences in estimated costs for those projects reflect differences in the provisions. In addition, H.R. 5815 would authorize the appropriation of about \$24 million more than would be authorized by S. 3421 for the construction of a spinal cord injury center in Syracuse, New York.

The provisions that would authorize the leasing of medical facilities are identical, the appropriation of as are the estimated costs. The provisions in sections 9 through 13 in H.R. 5815 are not in S. 3421. Those sections would require VA to prepare certain reports, create a new administrative position, and prepare a specific business plan.

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