CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 26, 2004

H.R. 4768
Veterans Health Programs and Facilities Enhancement Act of 2004

As ordered reported by the House Committee on Veterans' Affairs on July 21, 2004

SUMMARY

H.R. 4768 would authorize the Department of Veterans Affairs (VA) to lease 16 facilities, most of which would be for outpatient clinics. It also would create a new fund, the Department of Veterans Affairs Capital Asset Fund, that VA could use to pay for certain construction projects, subject to appropriation of the necessary amounts. The bill also would extend, through the end of calendar year 2005, the authority for VA to provide long-term care for veterans already enrolled in certain pilot programs. Finally, the bill would require VA to establish four medical preparedness centers and would authorize the appropriation of funds for those centers.

CBO estimates that implementing H.R. 4768 would cost $25 million in 2005 and $168 million over the 2005-2009 period, assuming appropriation of the necessary amounts. Enacting the bill would not affect direct spending or receipts.

H.R. 4768 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA), but CBO estimates the cost, if any, for state and local governments to comply with that mandate would be well below the threshold established by UMRA ($60 million in 2004, adjusted annually for inflation). H.R. 4768 would not impose any private-sector mandates as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 4768 is shown in the following table. The costs of this legislation fall within budget function 700 (veterans benefits and services).

	By Fiscal Year, in Millions of Dollars					
	2004	2005	2006	2007	2008	2009
SPENDING SUBJECT TO APPROPRIATION						
Spending Under Current Law for Veterans' Medical Care						
Estimated Authorization Level [a]	27,957	28,888	29,706	30,608	31,117	32,104
Estimated Outlays	27,141	28,334	29,293	30,210	30,846	31,756
Proposed Changes:						
Authorization of Leases						
Estimated Authorization Level	0	24	24	24	24	24
Estimated Outlays	0	12	24	24	24	24
Medical Preparedness Centers						
Estimated Authorization Level	0	10	10	10	10	10
Estimated Outlays	0	6	8	10	10	10
Capital Asset Fund						
Estimated Authorization Level	0	10	0	0	0	0
Estimated Outlays	0	2	4	3	1	0
Pilot Program Extension						
Estimated Authorization Level	0	5	1	0	0	0
Estimated Outlays	0	5	1	0	0	0
Total Changes						
Estimated Authorization Level	0	49	35	34	34	34
Estimated Outlays	0	25	37	37	35	34
Spending for Veterans' Medical Care Under H.R. 4768						
Estimated Authorization Level	27,957	28,937	29,741	30,642	31,151	32,138
Estimated Outlays	27,141	28,359	29,330	30,247	31,881	31,790

a. The 2004 level is the amount appropriated for that year. No full-year appropriation has yet been provided for fiscal year 2005. The current-law amounts for the 2005-2009 period assume appropriations remain at the 2004 level with adjustments for anticipated inflation.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted before the end of calendar year 2004 and that the authorized and necessary amounts for implementing the bill will be appropriated for each year.

Authorization of Leases

Section 101 would authorize VA to enter into leases at 16 different sites, most of which would be for outpatient clinics, and specifies the maximum lease payment for each site. In total, section 101 would authorize a little more than $24 million for these lease payments in 2005. Based on information from VA on previous leases and lease proposals, we expect these leases would be for a term of more than 10 years. For the purposes of this estimate, we assume that all of these leases would meet the criteria for an operating lease. (Those criteria are detailed in the Office of Management and Budget Circular A-11.) Because CBO has not seen any contracts that VA might use to enter into these leases, we cannot definitively say that these leases would meet the criteria for an operating lease.

Assuming it would take about six months to sign the lease agreements, CBO estimates that implementing this provision would cost $12 million in 2005 and $108 million over the 2005-2009 period, assuming appropriation of the authorized and estimated amounts.

Medical Preparedness Centers

Under current law, VA is authorized to establish four medical emergency preparedness centers which have responsibilities to assist with chemical, biological, or radiological threats. In addition, the Congress has authorized the appropriation of $20 million a year through 2007 for these centers. As of the date of this estimate, VA has not established any centers and no appropriations have been made for that purpose.

Section 202 of H.R. 4768 would require VA to create four medical preparedness centers that would have the same responsibilities as the four medical emergency preparedness centers already authorized under current law. Section 202 would specifically authorize the appropriation of $10 million a year through 2007 and would require VA to provide additional funds if necessary. Based on information from VA, CBO believes $10 million a year would be sufficient to operate these four centers. Assuming normal start-up time for implementing new programs and the appropriation of the authorized and estimated amounts, CBO estimates that implementing this section would cost $6 million in 2005 and $44 million over the 2005-2009 period.

Capital Asset Fund

Section 102 would make it easier for VA to dispose of real property to both public and private entities and would establish a new fund in the Treasury to be known as the Department of Veterans Affairs Capital Asset Fund. Under the bill, VA would be able to dispose of real property without the requirement to use the General Services Administration (GSA), though VA would still have to notify GSA of its intent to dispose of real property. (The authority to dispose of property under this section would expire seven years after enactment of the bill.) The proceeds from property disposal would be deposited into the Capital Asset Fund and could be used to pay for costs associated with the transfer of property as well as construction projects with a cost less than $4 million. However, under section 102, expenditures from the fund would be subject to appropriation action. Thus, CBO does not expect that VA would significantly increase its sales or other dispositions of real property.

Section 102 also would authorize the appropriation of $10 million to the Capital Asset Fund where it could be used for the purposes stated above. Under the bill, section 102 would not take effect until the Secretary of VA certified that the department was in compliance with current law regarding the provision of extended care or long-term care to veterans. Assuming that the Secretary makes this certification by the end of the calendar year, CBO estimates that implementing this provision would cost $2 million in 2005 and $10 million over the 2005-2009 period, assuming appropriation of the authorized amount.

Pilot Program Extension

Section 107 would allow VA to extend three pilot programs for long-term care through the end of calendar year 2005. According to VA, it spent about $5 million in 2003 on these pilot programs. Thus, CBO estimates that implementing section 107 would cost about $5 million in 2005 and $6 million over the 2005-2006 period, assuming the appropriation of the necessary amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4768 contains an intergovernmental mandate as defined in UMRA because it would preempt state and local authority to regulate land use of property leased by VA. Under current law, that land is exempt from some state and local laws regulating building codes, permits, and inspections. This bill would expand those exemptions to include laws regulating land use. CBO estimates that the costs, is any, for state, local, and tribal governments to comply with that mandate would be well below the threshold established by UMRA ($60 million in 2004, adjusted annually for inflation). H.R. 4768 would not impose any private-sector mandates as defined in UMRA.

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