CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 2, 2004

S. 2485

Department of Veterans Affairs Real Property and Facilities Management Improvement Act of 2004

As ordered reported by the Senate Committee on Veterans' Affairs on July 20, 2004

SUMMARY

S. 2485 would permanently extend the authority for the Department of Veterans Affairs (VA) to provide counseling to those veterans who have suffered from sexual trauma and would allow VA to provide care to newborn infants when the mother is a veteran receiving maternity care from the department. 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 and would direct VA to create at least one center for research on blast injuries. Additionally, S. 2485 would create a new fund, the Department of Veterans Affairs Capital Asset Fund, that the department could use to pay for certain construction projects, subject to appropriation of the necessary amounts. Finally, the bill would allow both the Veterans Benefits Administration (VBA) and the National Cemetery Administration (NCA) to use enhanced-use lease authority.

CBO estimates that implementing S. 2485 would cost $20 million in 2005 and $110 million over the 2005-2009 period, assuming appropriation of the necessary amounts. CBO also estimates that enacting S. 2485 would increase direct spending for enhanced-use leases by $16 million over the 2005-2009 period, and about $40 million over the 2005-2014 period.

S. 2485 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). Public academic institutions may benefit from grants for research and the state of Kentucky would benefit from exclusive rights to negotiate for the Louisville Medical Center if the VA chooses to lease, convey, or dispose of the facility; any costs to those institutions or the state would be incurred voluntarily.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2485 is summarized in Table 1. The costs of this legislation fall within budget function 700 (veterans benefits and services).

TABLE 1. ESTIMATED COSTS OF S. 2485

	By Fiscal Year, in Millions of Dollars				
	2005	2006	2007	2008	2009
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Estimated Authorization Level	28	22	21	23	17
Estimated Outlays	20	25	24	24	17
CHANGES IN DIRECT SPENDING					
Estimated Budget Authority	0	5	10	0	5
Estimated Outlays	0	1	5	5	5

BASIS OF ESTIMATE

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

Spending Subject to Appropriation

CBO estimates that implementing S. 2485 would increase discretionary spending for veterans' medical care by $20 million in 2005 and $110 million over the 2005-2009 period, assuming appropriation of the necessary amounts (see Table 2).

TABLE 2. SPENDING SUBJECT TO APPROPRIATION IN S. 2485

	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:						
Sexual Trauma Counseling						
Estimated Authorization Level	0	7	11	11	12	12
Estimated Outlays	0	7	10	11	12	12
Newborn Care						
Estimated Authorization Level	0	3	4	4	5	5
Estimated Outlays	0	3	4	4	5	5
Centers for Blast Injuries						
Estimated Authorization Level	0	3	6	6	6	0
Estimated Outlays	0	3	6	6	6	0
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	28	22	21	23	17
Estimated Outlays	0	20	25	24	24	17
Spending for Veterans' Medical Care Under S. 2485						
Estimated Authorization Level	27,957	28,916	29,728	30,629	31,140	32,121
Estimated Outlays	27,141	28,354	29,318	30,234	31,870	31,773

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.

Sexual Trauma Counseling. Section 202 would permanently extend a provision allowing VA to provide counseling to veterans who suffered from sexual trauma while serving on active duty. Under current law, the authority to provide such counseling expires on December 31, 2004. Using information from VA, CBO estimates that about 2 percent (approximately 100,000) of veterans who received care from VA were eligible to receive counseling for sexual trauma in 2003. Data from VA, although incomplete, suggests that about 5,000, or 5 percent, of those eligible veterans received such counseling in 2003, at an average per capita cost of almost $2,000. Assuming that about this same number of veterans receives counseling for sexual trauma each year over the 2005-2009 period, CBO estimates that permanently extending this provision would cost $7 million in 2005 and $52 million over the 2005-2009 period, assuming appropriation of the necessary amounts.

Newborn Care. Section 204 would allow VA to provide care to newborn infants when the mother is a veteran receiving maternity care from VA. According to VA, a little more than 700 women a year are expected to receive maternity care from VA. Based on data from VA, CBO estimates that the cost of providing neonatal care to those infants would be about $5,700 per infant in 2005. (Providing neonatal care for most infants would cost much less; the high average cost is driven by those infants who require extensive care for longer periods of time.) Based on assumed enactment late in calendar year 2004, CBO estimates that implementing section 204 would cost $3 million in 2005 and $21 million over the 2005-2009 period, assuming appropriation of the necessary amounts.

Centers for Blast Injuries. Section 205 would require VA to establish at least one, but not more than three, centers for research and study of blast injuries to provide better health care for veterans with such injuries. The provision would authorize $3 million in 2005 and $6 million for 2006, 2007, and 2008 for these centers and would require that VA provide additional amounts if necessary. Based on information from VA, CBO believes that the authorized amounts would be sufficient to operate at least one center over the four years. Thus, CBO estimates that implementing this section would cost $3 million in 2005 and $21 million over the 2005-2008 period, assuming appropriation of the authorized amounts.

Capital Asset Fund. Section 101 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 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 including demolition, environmental clean-up, and administrative expenses. However, expenditures from the fund would be subject to appropriation action. Thus, CBO does not expect that VA would increase its sales or other dispositions of real property.

Section 101 also would authorize the appropriation of $10 million to the Capital Asset Fund where it could be used for the purposes stated above. Using historical spending patterns for construction, CBO estimates that implementing this provision would cost $3 million in 2005 and $10 million over the 2005-2009 period, assuming appropriation of the authorized amount.

Pilot Program Extension. Section 206 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.

Direct Spending

Section 102 would permit both the VBA and the NCA to use enhanced-use leasing authority, which is only available to the Veterans Health Administration (VHA) under current law. With this enhanced-use leasing authority, VHA can lease land to private partners for up to 75 years, and in exchange these partners renovate or construct facilities on the land for the benefit of VHA. Although the partner is allowed to lease the facilities to non-VHA tenants, VHA has the priority for occupancy. In February 2003, CBO published a study, *The Budgetary Treatment of Leases and Public/Private Ventures*, that examined how VHA had used its enhanced-use leasing authority. That study found that VHA has used enhanced-use leases to acquire office buildings for its regional headquarters, parking facilities, nursing homes, and child care centers for its employees.

Under its enhanced-use lease authority, VHA enters into an array of long-term agreements with a property developer who establishes a limited liability company, partnership, or other special-purpose entity, specifically for the purpose of renovating, constructing, operating, and maintaining the facilities for each project. These agreements establish government control over the project, protect the government's interests, and ensure that VHA will receive guaranteed access to whatever facility is being developed. For example, under its enhanced-use leasing authority, VHA was able to obtain a new regional headquarters facility in Chicago. Although VHA's initial lease was for two years, that lease is automatically renewed unless VHA decides to terminate the lease. Furthermore, VHA must cover all of the project's financing, as long as it maintains any presence in the building. Because agreements and leases like the one described in this example allow VHA to effectively acquire new buildings, CBO believes that the full cost of the project should be recorded up front in the budget. We assume that VBA and NCA would use enhanced-use lease authority in a similar manner as VHA. Accordingly, CBO expects that an authorization to use enhanced-use lease authority would result in new direct spending.

Over the past 10 years, CBO estimates that VHA has entered into enhanced-use leases with a total value of more than $300 million over that period, though VHA's activity has increased significantly in the last few years. Because the value of real property owned by both VBA and NCA is much less than VHA, the total value of enhanced-use leases for the two agencies would be correspondingly lower. Although we do not have information on leasing plans for VBA and NCA, we assume that over the next 10 years VBA and NCA would use this authority to acquire three new office buildings and three other projects such as child care centers or parking facilities. Based on information from the General Services Administration, CBO estimates that each additional building would cost about $10 million. We assume that the smaller projects would cost about $5 million each. Accordingly, CBO estimates that enacting section 102 would increase direct spending for enhanced-use leases by $16 million over the 2005-2009 period and about $40 million over the 2005-2014 period, as shown in Table 3. The timing of those projects is uncertain. Table 3 shows one plausible set of staggered acquisitions; actual project commitments could be either faster or slower than shown.

TABLE 3. CHANGES IN DIRECT SPENDING UNDER S. 2485

	By Fiscal Year, in Millions of Dollars									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Estimated Budget Authority	0	5	10	0	5	10	0	5	10	0
Estimated Outlays	0	1	5	5	5	5	5	5	5	5

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2485 contains no intergovernmental or private-sector mandates as defined in UMRA. Public academic institutions may benefit from grants for research and the state of Kentucky would benefit from exclusive rights to negotiate for the Louisville Medical Center if the VA chooses to lease, convey, or dispose of the facility; any costs to those institutions or the state would be incurred voluntarily.

PREVIOUS CBO ESTIMATES

Many of the provisions in S. 2485 are similar or identical to provisions in other bills recently estimated by CBO and have similar or identical costs. The differences in estimated costs between those estimates reflect differences in the bills.

On June 4, 2004, CBO transmitted a cost estimate for H.R. 4248, the Homeless Veterans Assistance Reauthorization Act of 2004, as ordered reported by the House Committee on Veterans' Affairs on May 19, 2004. Section 3 of H.R. 4248, which would permanently extend the authority to provide counseling to veterans who suffered from sexual trauma, is almost identical to section 202 of S. 2485; the estimated costs for those two sections are identical. H.R. 4248 also contains a provision that would authorize increased spending for homeless veterans. S. 2485 does not contain a similar provision.

On August 24, 2004, CBO transmitted a cost estimate for H.R. 4658, the Servicemembers and Veterans Legal Protections Act of 2004, as ordered reported by the House Committee on Veterans' Affairs on July 21, 2004. Section 402 of H.R. 4658, which would allow VA to provide care to newborn infants when the mother is a veteran receiving maternity care from VA, is identical to section 204 of S. 2485, as are the estimated costs. H.R. 4658 contains other provisions regarding education, disability compensation, and pension benefits for veterans, as well as VA's fiduciary responsibilities. S. 2485 does not contain similar provisions.

On August 26, 2004, CBO transmitted a cost estimate for H.R. 4768, the Veterans Health Programs and Facilities Enhancement Act of 2004, as ordered reported by the House Committee on Veterans' Affairs on July 21, 2004. Section 102 of H.R. 4768, which would establish the Capital Asset Fund, is different in minor ways from section 101 of S. 2485, though the estimated costs are identical for the two sections. In addition, section 107 of H.R. 4768, which would extend the operation of certain pilot programs for long-term care, is similar to section 206 in S. 2485, and the estimated costs are the same. H.R. 4758 also contains provisions that would authorize the leasing of medical facilities and the creation of medical preparedness centers, while S. 2485 does not.

Finally, S. 2485 contains a provision to create a center for the research and study of blast injuries that does not appear in any of the above bills.

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