



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 3, 2006

### 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*

### **SUMMARY**

S. 3421 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 \$998 million for three projects in 2006, \$1.75 billion for 18 projects in 2007, and \$52 million for the leasing of eight clinics in 2006 and 2007.

CBO estimates that implementing S. 3421 would cost \$78 million in 2007 and about \$1.8 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 S. 3421 has already been appropriated.) Enacting the bill would not affect direct spending or receipts.

S. 3421 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.

### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary impact of S. 3421 is shown in the following table. 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).

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
<b>SPENDING SUBJECT TO APPROPRIATION</b>						
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						
Estimated Authorization Level	52	1,813	20	20	20	20
Estimated Outlays	0	78	481	637	460	188
Spending Under S. 3421						
Estimated Authorization Level	1,646	1,802	20	20	20	20
Estimated Outlays	167	490	985	1,136	733	316

## **BASIS OF ESTIMATE**

S. 3421 contains provisions that would authorize appropriations for major construction and the leasing of medical facilities by VA. CBO estimates that implementing these provisions would cost \$78 million in 2007 and about \$1.8 billion over the 2007-2011 period, assuming appropriation of the authorized amounts.

## **Major Medical Facility Projects**

Section 2 would authorize the construction, renovation, repairs and upgrades of 18 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 \$1.75 billion in 2007 for these projects.

Section 1 would authorize the appropriation of \$998 million for three projects in 2006, though most of this funding has already been appropriated. In 2004, \$30 million was appropriated for the replacement of a medical center in Denver, and S. 3421 would authorize an additional \$52 million for 2006, much of which would be used to acquire the necessary land.

Section 1 also would authorize 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 \$75 million for the planning of a replacement facility in New Orleans, and Public Law 109-234 appropriated \$550 million for construction on 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 above table.)

Public Law 109-148 provided almost \$293 million for the restoration of the Biloxi, Mississippi, medical center, and Public Law 109-234 appropriated almost \$36 million for the clean-up 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.

CBO estimates that implementing these two sections would cost \$77 million in 2007 and about \$1.7 million over the 2007-2011 period, assuming appropriation of the authorized amounts.

### **Leases for Medical Facilities**

Sections 3 and 4 would authorize the Secretary of VA to lease facilities for eight outpatient clinics whose payments, together, would not exceed \$52 million. (That amount is included in the table's estimated authorization level for 2007.) VA advises 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. A lump-sum payment would be made for the cost of modifications along with the first year's rent when construction is complete.

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.

### **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 3421 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

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