

DEPARTMENT OF VETERANS AFFAIRS MEDICAL FACILITY  
AUTHORIZATION ACT OF 2006

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SEPTEMBER 8, 2006.—Committed to the Committee of the Whole House on the State  
of the Union and ordered to be printed

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Mr. BUYER, from the Committee on Veterans' Affairs,  
submitted the following

R E P O R T

[To accompany H.R. 5815]

[Including cost estimate of the Congressional Budget Office]

The Committee on Veterans' Affairs, to whom was referred the bill (H.R. 5815) 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, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

The amendments (stated in terms of the page and line numbers of the introduced bill) are as follows:

Page 3, lines 9 and 14, insert "or nearby" after "in".

Page 19, after line 24, insert the following new section (and conform the table of contents accordingly):

**SEC. 13. REPORT ON OPTION FOR CONSTRUCTION OF A DEPARTMENT OF VETERANS AFFAIRS MEDICAL CENTER IN OKALOOSA COUNTY, FLORIDA.**

Not later than 180 days after the date of the enactment of this Act, the Secretary of Veterans Affairs shall submit to the Committees on Veterans' Affairs of the Senate and House of Representatives a report identifying and outlining the various options available to the Department for the placement of a Department of Veterans Affairs Medical Center in Okaloosa County, Florida. The report shall include the following:

- (1) The feasibility of entering into a partnership with Eglin Air Force Base for the construction and operation of a new, joint Department of Veterans Affairs-Department of Defense facility.

(2) The medical, legal, and financial implications of each of the options identified, including recommendations regarding any statutory changes necessary for the Department to carry out any of the options identified.

(3) A detailed cost-benefit analysis of each of the options identified.

(4) Estimates regarding the length of time and associated costs needed to complete such a facility under each of the options identified.

#### INTRODUCTION

On Thursday, May 11, 2006, the full Committee held a hearing that preceded the introduction of H.R. 5815, to consider the Secretary of Veterans Affairs request for authorization for several major construction projects and leases which would improve, renovate and/or update patient care facilities at various locations.

Witnesses who appeared before the Committee included Honorable Richard H. Baker, Member of Congress from the State of Louisiana; Honorable Charlie Melancon, Member of Congress from the State of Louisiana; Honorable Tom Feeney, Member of Congress from the State of Florida; Honorable Jonathan B. Perlin, M.D., Ph.D., M.S.H.A., F.A.C.P., Under Secretary for Health, Veterans Health Administration, accompanied by the following individuals from the Department of Veterans Affairs (VA): Honorable Tim S. McClain, General Counsel; Mr. Robert L. Neary, Jr., Acting Chief Facilities Management Officer, Veterans Health Administration; Cathleen C. Wiblemo, Deputy Director, Veterans Affairs and Rehabilitation Commission, The American Legion; Mr. Dennis Cullinan, Director National Legislative Service, Veterans of Foreign Wars.

On July 17, 2006, Honorable Henry E. Brown, Jr. and Honorable Michael H. Michaud, introduced H.R. 5815.

On July 20, 2006, the full Committee met and ordered H.R. 5815 reported favorably to the House by unanimous voice vote.

#### SUMMARY OF THE REPORTED BILL

H.R. 5815, as amended, would:

1. Authorize the Secretary of Veterans Affairs to carry out a major medical facility construction project for restoration of the Department of Veterans Affairs Medical Center (VAMC), Biloxi, Mississippi and consolidation of services performed at the VAMC, Gulfport, Mississippi, in an amount not to exceed \$310,000,000;

2. Authorize advance planning and design and site preparation for a co-located, joint-use major medical facility project in or near New Orleans, Louisiana with the Louisiana State University, in an amount not to exceed \$100,000,000;

3. Authorize only advance planning and design for a co-located, joint-use major medical facility project in Charleston, South Carolina, with the Medical University of South Carolina, in an amount not to exceed \$70,000,000;

4. Authorize the Secretary to enter into an agreement to purchase a site for the replacement of the VAMC, Denver, Colorado, in an amount not to exceed \$98,000,000;

5. Require VA to submit a report to the Committees on Veterans' Affairs of the Senate and House of Representatives on the viability of entering into a public or suitable non-profit organization partnership for the construction and operation of a facility that would replace the current VAMC, Denver, Colorado, not later than 180 days after the date of enactment;

6. Authorize the construction of an outpatient clinic and regional office, at the VAMC, Anchorage, Alaska, in an amount not to exceed \$75,270,000;

7. Authorize the consolidation of clinical and administrative functions of the VAMC in Cleveland, Ohio, and the VAMC in Brecksville, Ohio, in an amount not to exceed \$102,300,000;

8. Authorize construction of an extended care building at the VAMC in Des Moines, Iowa, in an amount not to exceed \$25,000,000;

9. Authorize the renovation of patient wards at the VAMC in Durham, North Carolina, in an amount not to exceed \$9,100,000;

10. Authorize the correction of patient privacy deficiencies at the VAMC in Gainesville, Florida, in an amount not to exceed \$85,200,000;

11. Authorize the 7th and 8th floor wards modernization addition at the VAMC in Indianapolis, Indiana, in an amount not to exceed \$27,400,000;

12. Authorize the construction of a new medical center facility at the VAMC in Las Vegas, Nevada, in an amount not to exceed \$406,000,000;

13. Authorize the construction of an ambulatory surgery/outpatient diagnostic support center in the Gulf South Submarket of Veterans Integrated Service Network (VISN) 8 and completion of Phase 1 land purchase, Lee County, Florida, in an amount not to exceed \$65,100,000;

14. Authorize seismic corrections, buildings 7 and 126, at the VAMC in Long Beach, California, in an amount not to exceed \$107,845,000;

15. Authorize seismic corrections, buildings 500 and 501, at the VAMC in Los Angeles, California, in an amount not to exceed \$79,900,000;

16. Authorize the construction of a new medical center facility in the Orlando, Florida, area in an amount not to exceed \$377,700,000 and require the facility be located at the site in Lake Nona known as site selection C;

17. Authorize the consolidation of campuses at the University Drive and H. John Heinz III divisions at the VAMC in Pittsburgh, Pennsylvania, in an amount not to exceed \$189,205,000;

18. Authorize ward upgrades and expansion at the VAMC in San Antonio, Texas, in an amount not to exceed \$19,100,000;

19. Authorize the construction of a spinal cord injury center at the VAMC in Syracuse, New York, in an amount not to exceed \$77,700,000;

20. Authorize upgrades essential electrical distribution systems at the VAMC in Tampa, Florida, in an amount not to exceed \$49,000,000;

21. Authorize the expansion of the spinal cord injury center addition at the VAMC in Tampa, Florida, in an amount not to exceed \$7,100,000;

22. Authorize blind rehabilitation and psychiatric bed renovations and a new construction project at the VAMC in Temple, Texas, in an amount not to exceed \$56,000,000;

23. Authorize a lease for an outpatient clinic in Baltimore, Maryland, in the amount of \$10,908,000;

24. Authorize a lease for an outpatient clinic in Evansville, Indiana, in the amount of \$8,989,000;

25. Authorize a lease for an outpatient clinic in Smith County, Texas, in the amount of \$5,093,000;

26. Authorize a lease for an outpatient and specialty care clinic in Austin, Texas, in the amount of \$6,163,000;

27. Authorize a lease for an outpatient clinic in Lowell, Massachusetts, in the amount of \$2,520,000;

28. Authorize a lease for an outpatient clinic in Grand Rapids, Michigan, in the amount of \$4,409,000;

29. Authorize up to four leases for outpatient clinics in Las Vegas, Nevada, in the amount of \$8,518,000;

30. Authorize a lease for an outpatient clinic in Parma, Ohio, in the amount of \$5,032,000;

31. Authorize appropriations of \$578,000,000 for major medical facility projects in paragraphs 1 through 4 (above);

32. Authorize appropriations of \$1,758,920,000 for major medical facility projects in paragraphs 6 through 22 (above);

33. Authorize appropriations of \$24,990,000 for leases for FY 2006 in paragraphs 23 through 25 (above);

34. Authorize appropriations of \$26,642,000 for leases for FY 2007 in paragraphs 26 through 30 (above);

35. Require the VA to submit a report to the Committees on Veterans' Affairs of the Senate and House of Representatives on the viability of entering into a public or suitable non-profit organization partnership for the construction and operation of a facility that would replace the current VAMC in San Juan, Puerto Rico, not later than 180 days after the date of enactment;

36. Allow the VA to transfer certain historic properties on the Fort Thomas, KY campus of the Cincinnati VAMC to the city of Fort Thomas for fair market value;

37. Establish within the VA the position of Director, Construction and Facilities Management. Require this position to be a career appointment, the individual appointed to meet certain qualifications and have responsibility for Department-wide construction and facility management;

38. Require the VA to submit to the Committees on Veterans' Affairs of the Senate and House of Representatives, not later than 180 days after the date of enactment, a business plan for enhanced access to outpatient care for primary, mental health and specialty care through new sites of care, expansions at existing sites, use of existing authority and policies to contract for care where necessary, and increased use of telemedicine in each of the following areas: (1) the Lewiston-Auburn area of Maine; (2) the area of Houlton, Maine; (3) the

area of Dover-Foxcroft, Maine; and (4) area of Whiteside County, Illinois;

39. Require the VA to submit to the Committees on Veterans' Affairs of the Senate and House of Representatives, not later than 180 days after the date of enactment, a report on the options for the construction of a new medical facility in Okaloosa County, Florida.

#### BACKGROUND AND DISCUSSION

Section 8104(a)(2) of title 38, United States Code, requires Congressional authorization of any Department of Veterans Affairs (VA) major medical facility construction project, defined as a "project for the construction, alteration, or acquisition of a medical facility involving a total expenditure of more than \$7,000,000" and any medical facility lease with an annual lease payment of more than \$600,000.

In accordance with the law, on April 5, 2006, the Secretary transmitted to the Speaker of the House of Representatives a request for authorization of \$1,606,000,000 for major facility construction projects and \$24,990,000 for major facility leases for FY (FY) 2006 and \$351,966,000 for major facility construction projects and \$26,642,000 for major facility leases for FY 2007. In addition, the Department sought a three-year extension of the authority granted it under section 221 of Public Law 108–170 that authorized major construction projects in connection with the Capital Asset Realignment for Enhanced Services (CARES) initiative. This authority is set to expire on September 30, 2006.

H.R. 5815 takes exception with certain of the Administration's individual requests. A significant exception is that the Committee, at this time, has chosen not to authorize six requested FY 2007 major medical facility construction projects requested by the Department. The Committee is concerned that a lack of long-term strategic planning related to infrastructure inside the VA has placed the Department in a difficult position by allowing a great number of major projects to accumulate over time. The Committee encourages the Department to focus on those projects that: (1) have been previously authorized and begun; (2) have been authorized under CARES but not begun; and (3) have already received appropriated dollars. As we have seen with the need for significant and expensive Hurricane Katrina-related construction, the VA capital plan requires constant monitoring, frequent review and, at times, significant modification. It is not the intent of the Committee to micromanage the VA construction budget or to delay the Department's capital plan. The Committee's actions should not be construed as a reflection concerning the merits of the Department's FY 2007 major medical facility requests, but rather the Committee wishes to ensure that proper prioritization is applied to the Department's short and long-term construction projects. Likewise, the Committee has decided not to extend the Department's authority under Public Law 108–170. The Committee believes that any authority granted to the Department to undertake major medical facility projects must be granted explicitly by the Committee and be consistent with the Committee's oversight and authorization authority.

## MAJOR MEDICAL FACILITY PROJECTS

The Committee believes that VA collaboration with the Department of Defense, its extensive State medical university affiliations, and other public or suitable non-profit partnerships, in order to maximize local health care economies can, in many cases, be mutually advantageous for all organizations and patient populations and be an important tool in ensuring that veterans receive the best possible medical care. The resulting reduction in capital and operational expenditures and the elimination of duplicative clinical facilities can result in greater resources being devoted to direct patient care.

*Biloxi, Mississippi:* Section 2 of the bill, as amended, would authorize the requested amount of \$310,000,000 for the restoration of the VA Medical Center in Biloxi, Mississippi and to consolidate the services performed in Gulfport, Mississippi. The Committee has also predicated this authorization on the requirement that VA undertake this consolidation at Biloxi by constructing a joint-use facility with Keesler Air Force Base.

*New Orleans, Louisiana:* The Secretary requested \$675,000,000 for the restoration, new construction or replacement of the medical center facility in New Orleans, Louisiana, that was damaged due to Hurricane Katrina. Section 3 of the bill, as amended, would only authorize advance planning and design and site preparation for a co-located, joint-use medical facility in an amount not to exceed \$100,000,000. In addition to the \$75,000,000 provided for advance planning and design in Public Law 109-148, the Administration requested \$600,000,000. Public Law 109-234 provided \$550,000,000, subject to authorization, of the requested \$600,000,000. VA and Louisiana State University (LSU) Health Care Services Division signed a Memorandum of Understanding on February 23, 2006, to establish a mutually beneficial relationship and to foster discussions addressing the basic framework for a future VA and LSU medical care delivery collaboration project. A joint Collaborative Opportunities Study Group (COSG) was formed in order to carry out that task. The COSG, comprised of experts from both organizations, was directed to develop options for shared facilities and/or services that take into account quality, access, practicality and efficiency; to review related information management systems and logistics; and to coordinate related communication. The four-month study culminated with the New Orleans COSG Report issued on June 12, 2006 with the recommendation for the construction of essentially two hospitals, a tower built and operated by VA, and another tower built and operated by LSU. The two towers would be joined by a corridor that would contain space for shared clinical services, capital equipment and lab services. The June report projected cost avoidances of nearly \$400 million over the next 30 years. Plans for the VA facility are still being developed and the level of collaboration between VA and LSU is yet to be determined. Therefore, the Committee has limited the authorization to advance planning and design and site preparation for a co-located, joint-use medical facility in or near New Orleans, assuming that the Department and LSU can adequately resolve outstanding operational issues. As a result of the Committee's limitation, the Department will be required to seek additional, specific authorization for the

construction of a facility in or around New Orleans, consistent with 38 U.S.C. § 8104(a)(2).

The Committee supports the furtherance of the collaborative investigation in New Orleans and the restoration of a strong VA presence in and around New Orleans. The Committee is reluctant to force the VA into a position of collaboration if the potential relationship with LSU: (1) becomes too costly for the Department (requiring additional VA resources above levels identified under the various models contained in the COSG report); (2) limits the economies of scale that can be realized to a degree that collaboration no longer makes financial sense; or (3) threatens to degrade the quality of care provided to veterans in the region.

*Charleston, South Carolina:* In Charleston, South Carolina, the Ralph H. Johnson VA Medical Center (VAMC) and the Medical University of South Carolina (MUSC) Hospital reside in very close physical proximity and currently have a strong collaborative relationship with the sharing of medical staff and research activities. Some 243 physicians who hold faculty appointments at MUSC now treat veteran patients at the Charleston VAMC, representing over 95 percent of the VAMC's physician staff. The annual amount of clinical sharing between VA and MUSC amounted to approximately \$14,000,000 in 2005. Both facilities also share some similar infrastructure challenges including aging facilities, limited ingress and egress and shortages of parking. MUSC is currently undertaking a five-phase hospital replacement project that will increase inpatient capacity from the current 600 beds to 800 beds. In the fall of 2004, MUSC secured \$401 million in mortgage bonds insured by the Department of Housing and Urban Development (HUD) Federal Housing Administration. These HUD backed bonds provide the resources needed by MUSC for the project. On April 8, 2005, MUSC formally broke ground on Phase 1, the construction of a new \$276 million hospital. The new 156-bed hospital is expected to open in early 2008.

On August 18, 2005, VA and MUSC signed a Memorandum of Record, creating an ad hoc Collaborative Opportunities Steering Group (COSG), to develop options for new shared facilities and resources. Based on the final report, two options stand out as the most viable, model A and model A-1. Model A would replace all clinical services in the existing VA facility with construction of a new VAMC as part of the next phase of MUSC local construction. Additional inpatient capacity would be built in order to accommodate additional beds needed by MUSC. Bed space would be leased by MUSC and the VA would use the revenue to enhance patient care at the new facility, while maintaining the right of first refusal for veterans in the event of a surge in demand or national emergency.

Model A-1 is a sub-option of Model A that would necessitate MUSC funding its own adjacent bed tower, while still sharing clinical services and the expense of high-cost capital medical equipment. Lease revenue would be limited under this model because MUSC would build its own bed capacity, but the initial federal outlay would also be diminished. The COSG process established in Charleston, SC provided a sound blueprint for collaboration with MUSC. However, there are still outstanding issues that need to be resolved.

On July 13, 2006, a second Memorandum was issued establishing an ad hoc Collaborative Opportunities Planning Group (COPG) to fully develop a viable venture that will create synergy in the delivery of health care for veterans in this region. Section 4 of the bill, as amended, would limit the authorization to \$70,000,000 for the advance planning and design for a co-located, joint-use medical facility incorporating the findings of the COPG. As a result of the Committee's limitation, the Department will be required to seek additional, specific authorization for the construction of a facility in Charleston, consistent with 38 U.S.C. § 8104(a)(2).

*Denver, Colorado:* The Department requested \$621,000,000 for the replacement of the VAMC in Denver, Colorado. On May 20, 2004, the Capital Asset Realignment for Enhanced Services (CARES) decision document provided notice to Congress of the Secretary's decision to build a replacement VAMC through a sharing agreement with the Department of Defense (DOD). The facility was to be located on the Fitzsimons campus of the University of Colorado and include some shared facilities with the University of Colorado Hospital. However, to the Committee's disappointment, the joint nature of this project has since been lost. The VA now intends to erect a freestanding medical center on the Fitzsimmons campus.

Section 5 of the bill, as amended, would limit the authorization in the amount of \$98,000,000 for VA to purchase a site for the replacement of the Denver VAMC and require VA to report to the Committee identifying and outlining the various options available to the Department for the replacement of the facility. The Committee encourages VA to consider financing relationships that may be seen as unique to the Department, but that may also require significantly diminished up-front capital outlay by the Department. Furthermore, the Committee would encourage working with other federal, state, local or not-for-profit entities to develop a suitable financing model that could be exported to other facilities requiring replacement throughout the Department. The Committee expects that any financing options be consistent with the goal of improving veteran access to the highest quality medical care.

*Extension of Authorizations:* The Secretary requested the extension of authorization for 18 major medical facility construction projects previously authorized in previously authorized under Public Law 108-170, but for which it is unlikely that contract awards will be accomplished by September 30, 2006, as required by that law. Section 6 of the bill, as amended, authorizes 17 of these major medical facility construction projects that were identified and prioritized under the CARES process. Two of the projects are for the construction of new medical centers in Las Vegas, Nevada and Orlando, Florida. In January, 2006, VA released a list of potential sites for the Orlando facility. One of the sites, site selection C, at Lake Nona is of particular interest to the Committee because this site would be part of a developing medical park. As currently envisioned, the development would consist of a 200 acre mixed-use, academic, and medical and research campus containing the University of Central Florida (UCF) Science and Research Park, Healthcare Campus and newly proposed medical college. The bill would require VA to select the Lake Nona site for construction of the facility. The Lake Nona site has the distinct advantage of providing VA the means to partner with the new medical school at UCF to share fa-



cilities and personnel. The Committee believes that collaboration between VA and its medical affiliations benefits veterans and the country by providing additional resources for innovative and cutting edge technologies and enhanced access and quality of care.

*Major Medical Facility Leases:* Section 7 of the bill, as amended, would authorize the three major medical facility leases requested for outpatient clinics for FY 2006 in Baltimore, Maryland; Evansville, Indiana, and Smith County, Texas and appropriations of \$24,990,000 to support them. Section 8 of the bill, as amended, would authorize the requested major medical facility leases for FY 2007 in Austin, Texas; Lowell, Massachusetts; Grand Rapids, Michigan; Las Vegas, Nevada (up to four Outpatient Clinics); and Parma, Ohio and would appropriate \$26,642,000 to support them.

*San Juan, Puerto Rico:* The San Juan VAMC is a 319 acute care bed facility with documented condition deficiencies. Deficiencies in the aging structure include: (1) insufficient space; (2) lack of patient privacy (especially for female veterans); (3) issues relating to access for those with disabilities; (4) significant parking problems; (5) seismic vulnerabilities; (5) asbestos abatement requirements that are time consuming, expensive, and challenging; (6) aging air conditioning and ventilation systems; and (7) inadequate water storage capabilities. In October 2002, a decision was made to develop a 2-phased strategy: Phase 1—a new bed tower with 314 beds in 6 floors; Phase 2—seismically correct main building with renovations that would include asbestos abatement, sprinklers, and utility improvements. On April 14, 2006, an \$84,050,000 construction contract was awarded to Heery International/PMC for Phase 1 (the South Bed Tower). The building is expected to be completed in May 2009. The existing facility space is approximately 630,845 departmental gross square feet (DGSF). The proposed new bed tower would provide an additional 250,000 DGSF. However, the CARES process determined that San Juan, based on current and projected workload requires 1,283,547 DGSF. The current two-phase plan still falls short of the requirements identified under CARES by nearly 402,702 DGSF. Given the documented substantial facility deficiencies, the Committee is concerned about funding expensive renovations in San Juan that will ultimately fail to meet capacity needed to handle the projected workload.

Section 9 of the bill, as amended, expresses the sense of Congress that VA should take steps to explore all options for addressing that concerns regarding future capacity and would require the VA to report to the Committees of Veterans' Affairs outlining the various financing options available, including engaging federal, state, local or not-for-profit entities to develop suitable financing models that would minimize the up-front capital outlay required by the Department.

*Director, Construction and Facilities Management:* The Committee is concerned that the VA has not built a major medical facility in over a decade and the Department lacks the consolidated authority and institutional expertise to oversee the management of major construction and leasing programs and administration activities for the Department. Consistent with the recommendations contained in the Secretary's Construction Advisory Board Committee Report, Section 11 of the bill, as amended, establishes a new career position with responsibility for construction and facilities manage-

ment across all segments of the Department. The position will provide direct support to the Secretary and will report to the Deputy Secretary of the Department. The individual's responsibilities shall include installation planning, engineering and architecture, facility design and construction, lease administration and management, space planning and management, maintenance, repair and alterations, custodial, building management and administration, maintenance of roads and grounds, acquisition, property management, furnishings, and supplies and equipment. The individual selected for this position shall develop and update short and long range strategic capital investments strategies.

The Committee is committed to reinstituting a sense of centralized, consolidated institutional knowledge within the Department in the areas of construction and project management for all major medical facilities and minor, local projects. By adding this position, the Committee is also attempting to ensure that significant prioritization of major medical projects is undertaken, that the future Departmental workload is understood and the infrastructure accurately supports the out-year health care demands of the veteran population.

#### BUSINESS PLANS

Section 12 of the bill, as amended, requires the VA to submit a business plan for enhanced access to outpatient care for primary care, mental health care, and specialty care to the Committees on Veterans' Affairs no later than 180 days after enactment. The business plan is to cover the Lewiston-Auburn area of Maine; the area of Houlton, Maine; the area of Dover-Foxcroft, Maine; and Whiteside County, Illinois. In exploring enhanced access, the VA is to include one or more of the following: new sites of care; expansions at existing sites of care; use of existing authority and policies to contract for care when necessary; and increased use of telemedicine. The committee urges the Department to consider naming any new or expanded facility in Whiteside County, Illinois after the ranking Member of the Committee, Honorable Lane Evans.

#### SECTION-BY-SECTION ANALYSIS

Section 1(a) of the bill would name the Act the "Department of Veterans Affairs Medical Facility Authorization Act of 2006".

Section 1(b) of the bill would provide the Table of Contents.

Section 2(a) of the bill would authorize the Secretary of Veterans Affairs to carry out a major medical facility project for restoration of the Department of Veterans Affairs Medical Center (VAMC), Biloxi, Mississippi, and consolidation of services performed at the VAMC, Gulfport, Mississippi.

Section 2(b) of the bill would prohibit appropriated funds for major medical facility projects listed in subsection (a) from exceeding \$310,000,000.

Section 2(c) of the bill would require the project authorized by subsection (a) to be carried out as part of a joint-use facility shared by VA with Keesler Air Force Base in Biloxi, Mississippi.

Section 3(a) of the bill would authorize the Secretary to enter into an agreement with Louisiana State University to design, construct, and operate a co-located, joint-use medical facility to replace

the VAMC, New Orleans, Louisiana damaged by Hurricane Katrina in August 2005. Authority under this section would be restricted to advance planning and design and site preparation.

Section 3(b) of the bill would restrict costs for the advance planning and design and site preparation for a co-located, joint use medical facility authorized under subsection (a) to an amount not to exceed \$100,000,000.

Section 4(a) of the bill would authorize the Secretary to enter into an agreement with the Medical University of South Carolina to design, construct, and operate a co-located joint-use medical facility in Charleston, South Carolina, to replace the Ralph H. Johnson VAMC, Charleston, South Carolina. Authority under this section is limited to advanced planning and design of the facility.

Section 4(b) of the bill would limit costs for the advance planning and design for a co-located, joint use medical facility authorized under subsection (a) to an amount not to exceed \$70,000,000.

Section 5(a) of the bill would authorize the Secretary to enter into an agreement to purchase a site to replace the VAMC, Denver, Colorado, in an amount not to exceed \$98,000,000.

Section 5(b) of the bill would require the Secretary to submit a report no later than 180 days after date of enactment to the Committees on Veterans' Affairs of the Senate and House of Representatives to identify and outline the various options available to VA for replacement of the current VAMC, Denver, Colorado. The report should include: (1) the feasibility of entering into a partnership with a Federal, State, or local governmental agency, or a suitable non-profit agency, for the construction and operation of a new medical facility; (2) the medical, legal, and financial implications of the identified options, including recommendations regarding any necessary statutory changes for the Department to carry out any of the identified options; (3) a detailed cost-benefit analysis of each identified option; and (4) estimates on the time frame and associated costs needed to complete a new facility under each of the identified options.

Section 6 of the bill would extend authorization for the following major medical facility projects, requiring each project to be carried out in the amount specified for that project: (1) construction of an outpatient clinic and regional office at the VAMC, Anchorage, Alaska, in an amount not to exceed \$75,270,000; (2) consolidation of clinical and administrative functions of the VAMC, Cleveland, Ohio, and the VAMC, Brecksville, Ohio, in an amount not to exceed \$102,300,000; (3) construction of an extended care building at the VAMC, Des Moines, Iowa, in an amount not to exceed \$25,000,000; (4) renovation of patient wards at the VAMC, Durham, North Carolina, in an amount not to exceed \$9,100,000; (5) correction of patient privacy deficiencies at the VAMC, Gainesville, Florida, in an amount not to exceed \$85,200,000; (6) modernization addition of the seventh and eighth floor wards at the VAMC, Indianapolis, Indiana, in an amount not to exceed \$27,400,000; (7) construction of a new medical center facility at the VAMC, Las Vegas, Nevada, in an amount not to exceed \$406,000,000; (8) construction of an ambulatory surgery/outpatient diagnostic support center in the Gulf South Submarket of VISN 8 and completion of Phase I land purchase, Lee County, Florida, in an amount not to exceed \$65,100,000; (9) seismic corrections to buildings 7 and 126 at the

VAMC, Long Beach, California, in an amount not to exceed \$107,845,000; (10) seismic corrections to buildings 500 and 501 at the VAMC, Los Angeles, California, in an amount not to exceed \$79,000,000; (11) construction of a new medical center facility, Orlando, Florida, to be located in Lake Nona known as site selection C, directly south of the interchange between SR-417 and Lake Nona Boulevard, in an amount not to exceed \$377,700,000; (12) consolidation of campuses at the University Drive and H. John Heinz III divisions, Pittsburgh, Pennsylvania, in an amount not to exceed \$189,205,000; (13) upgrades and expansion to wards at the VAMC, San Antonio, Texas, in an amount not to exceed \$19,100,000; (14) construction of a spinal cord injury center at the VAMC, Syracuse, New York, in an amount not to exceed \$77,700,000; (15) upgrade of essential electrical distribution systems, at the VAMC, Tampa, Florida, in an amount not to exceed \$49,000,000; (16) expansion of the spinal cord injury center addition at the VAMC, Tampa, Florida, in an amount not to exceed \$7,100,000; and (17) blind rehabilitation and psychiatric bed renovation and new construction project at the VAMC, Temple, Texas, in an amount not to exceed \$56,000,000.

Section 7(a) of the bill would authorize the Secretary to carry out the following major medical facility leases in FY 2006 at the following locations, in an amount not to exceed the amount specified for that location: (1) outpatient clinic in Baltimore, Maryland, \$10,908,000; (2) outpatient clinic in Evansville, Illinois, \$8,989,000; and (3) outpatient clinic in Smith County, Texas, \$5,093,000.

Section 7(b) of the bill would authorize the Secretary to carry out the following major medical facility leases in FY 2007 at the following locations, in an amount not to exceed the amount specified for that location: (1) outpatient and specialty care clinic in Austin, Texas, \$6,163,000; (2) outpatient clinic in Lowell, Massachusetts, \$2,520,000; (3) outpatient clinic in Grand Rapids, Michigan, \$4,409,000; (4) up to four outpatient clinics in Las Vegas, Nevada, \$8,518,000; and (5) outpatient clinic in Parma, Ohio, \$5,032,000.

Section 8(a) of the bill would authorize appropriations to the Secretary for FY 2006 in the total amount of \$578,000,000 for the Construction, Major Projects, account, of which: (1) \$310,000,000 is for the Biloxi and Gulfport, Mississippi, projects authorized in section 2; (2) \$100,000,000 is for the advanced planning and design in New Orleans, Louisiana, authorized in section 3; (3) \$70,000,000 is for the purchase of a site in Charleston, South Carolina, authorized in section 4; and (4) \$98,000,000 is for the purchase of a site in Denver, Colorado, authorized in section 5.

Section 8(b) of the bill would authorize appropriations for major medical facility projects under the capital asset realignment initiative: (1) authorization of appropriations for FY 2007 for the Construction, Major Projects, account, \$1,758,920,000 for the projects specified in section 5; and (2) amounts appropriated in accordance with the authorization in paragraph (1) would remain available until September 30, 2009.

Section 8(c) of the bill would authorize appropriations for major medical facility leases: (1) authorization for appropriations for FY 2006 for the Medical Care account, \$24,990,000 for the leases authorized in section 6(a), Baltimore, Maryland; Evansville, Illinois; and Smith County, Texas; and (2) authorization for appropriations

for FY 2007 for the Medical Care account, \$26,642,000 for the leases authorized in section 6(b), Austin, Texas; Lowell, Massachusetts; Grand Rapids, Michigan; Las Vegas, Nevada; and Parma, Ohio.

Section 8(d) of the bill would require the projects authorized in sections 2, 3, 4, and 5 to be only carried out using only: (1) funds appropriated for FY 2006 or 2007 pursuant to the authorization of appropriations in subsections (a), (b), and (c) of section 7; (2) funds available for Construction, Major Projects, for a fiscal year before FY 2006 that remain available for obligation; (3) funds available for Construction, Major Projects, for a fiscal year after FY 2006 or 2007 that are available for obligation; and (4) funds appropriated for Construction, Major Projects, for FY 2006 or 2007 for a category of activity not specific to a particular project.

Section 9(a) of the bill would recognize the need for medical facility improvements that are not currently being adequately addressed in San Juan, Puerto Rico and the sense of Congress that the Secretary should take steps to explore all options to address the concern, including a possible public or suitable non-profit partnership to build and operate a facility to replace the current VA medical center in San Juan, Puerto Rico.

Section 9(b) of the bill would require the Secretary to submit a report, no later than 180 days after date of enactment, to the Committees on Veterans' Affairs of the Senate and House of Representatives on the feasibility of entering into a public or suitable non-profit partnership for the construction and operation of a replacement facility for the current VA medical center in San Juan, Puerto Rico. The report should include the following: (1) the feasibility of entering into a partnership with a Federal, State, or local governmental agency, or a suitable non-profit agency, for the construction and operation of a new medical facility; (2) the medical, legal, and financial implications of the identified options, including recommendations regarding any necessary statutory changes for the Department to carry out any of the identified options; (3) a detailed cost-benefit analysis of each identified option; and (4) estimates on the time frame and associated costs needed to complete a new facility under each of the identified options.

Section 10(a) of the bill would authorize the Secretary to transfer to the city of Fort Thomas, Kentucky, all right, title, and interest of the United States in and to a piece of real property, including the 15 structures located on the property, consisting of approximately 11.75 acres that is managed by the Department and located in northeast Tower Park in Fort Thomas. The transfer would be subject to existing rights, easements, and rights-of-way.

Section 10(b) of the bill would require the city of Fort Thomas, Kentucky, to pay an amount equal to the fair market value of the transferred real property to the United States, to be determined by the Secretary, as consideration for the land transfer under subsection (a).

Section 10(c) of the bill would authorize the Secretary, at his discretion, to deposit the payment received under subsection (b) in the "Medical facilities" account or the "Construction, minor projects account" to be available, without limitation: (1) to cover costs incurred by the Secretary due to environmental remediation of the property before transfer under subsection (a); and (2) to cover, with

any remaining funds, costs required under paragraph (1), for acquisition of a site for use as a parking facility, or contract (by lease or otherwise) for a parking facility operation to be used at the VAMC in Cincinnati, Ohio.

Section 10(d) of the bill would release the United States from being liable for damages due to negligence by the U.S. or any employee or agent of the U.S. before the date of conveyance, consistent with chapter 171 of Title 28, United States Code.

Section 10(e) of the bill would that (1) the city of Fort Thomas, Kentucky, cover any costs incurred by the Secretary, or to reimburse the Secretary for such costs, to carry out the conveyance under subsection (a), including costs related to surveys, environmental documentation, and other related administrative costs. The Secretary would be required to refund any excess amount if the amounts are collected from the city of Fort Thomas, Kentucky, before the Secretary incurred any actual costs and the collected amount exceeds the actual cost incurred by the Secretary to carry out the conveyance; and (2) amounts received as reimbursement under paragraph (1) would be credited to the fund or account used for the costs incurred. Credited amounts would be merged with other amounts in the fund or account and would be available for the same purposes, and subject to the same conditions and limitations.

Section 10(f) of the bill would require the exact acreage and legal description of the conveyed real property under subsection (a) be determined by a survey satisfactory to the Secretary.

Section 10(g) of the bill would authorize the Secretary to require any additional terms and related conditions with the conveyance under subsection (a) as the Secretary believes necessary to protect the interests of the U.S.

Section 11(a) of the bill would amend Chapter 3 of title 38, United States Code, to add a new section 312A after section 312.

New Section 312A(a) would create a new career position, Director, Construction and Facilities Management, with responsibility for managing construction and facilities across the Department, including all major and minor construction projects. The individual is to be appointed by the Secretary and provide direct support to the Secretary while reporting to the Deputy Secretary of the Department.

New Section 312A(b) would require the individual appointed as Director, Construction and Facilities Management, to: (1) hold an undergraduate or master's degree in architectural design or engineering; and (2) have substantive professional experience with construction project management.

New Section 312A(c) would require the individual appointed as Director, Construction and Facilities Management, to be responsible for overseeing and managing the planning, design, construction, and facilities operation (including infrastructure) of VA's major and minor construction projects and perform other duties requested by the Secretary. Oversight and management responsibilities would include all of the following: (1) developing and updating short and long-range strategic capital investment strategies and plans; (2) planning, designing, and building facilities, determining architectural and engineering requirements, as well as ensuring compliance with all laws relating to VA's construction program; (3)

overseeing and managing the construction of VA facilities; (4) managing VA's short and long-term leasing activity; (5) repairing and maintaining VA's facilities, including custodial services, building management and administration, and roads, grounds, and infrastructure maintenance; and (6) managing the procurement and acquisition process, including the award of contracts related to design, construction, furnishing, and supplies and equipment.

Section 11(b) of the bill would amend the table of sections at the beginning of chapter 3 by inserting "312A. Director, Construction and Facilities Management" after section 312.

Section 12(a) of the bill would require the Secretary to submit to the Committees on Veterans' Affairs of the Senate and House of Representatives, no later than 180 days after enactment of this Act, a business plan for enhanced access to outpatient care (described in subsection (b)) for primary care, mental health care, and specialty care in each of the following areas: (1) the Lewiston-Auburn area of Maine; (2) the area of Houton, Maine; (3) the area of Dover-Foxcroft, Maine; and (4) Whiteside County, Illinois.

Section 12(b) of the bill would enhance access to outpatient care to be covered by the business section under subsection (a), with respect to each area specified, one or more of the following: (1) new sites of care; (2) expansions at existing sites of care; (3) use of existing authority and policies to contract for care where necessary; and (4) increased use of telemedicine.

Section 13 of the bill would require a report, not later than 180 days after date of enactment of this Act, be submitted from the Secretary to the Committees on Veterans' Affairs of the Senate and House of Representatives identifying and outlining various options available to VA regarding the placement of a VAMC in Okaloosa County, Florida. The report should include: (1) the feasibility of entering into a partnership with Eglin Air Force Base for the construction and operation of a new, joint VA-DOD facility; (2) the medical, legal, and financial implications of each of the options identified, including recommendations on any statutory changes needed for VA to carry out the any of the identified options; (3) a detailed cost-benefit analysis for each identified option; and (4) estimates on the length of time and associated costs needed to complete such a facility under each identified option.

#### PERFORMANCE GOALS AND OBJECTIVES

#### STATEMENT OF THE VIEWS OF THE ADMINISTRATION

##### STATEMENT OF THE HONORABLE JONATHAN B. PERLIN, MD, UNDER SECRETARY FOR HEALTH

Mr. Chairman and members of the Committee, good afternoon. I am pleased to appear here this afternoon to provide you with an overview of the Department of Veterans Affairs' (VA) construction program and 5 Year Capital Plan. I will also provide information on VA's portfolio management approach and how the Capital Asset Realignment for Enhanced Services (CARES) process and the Enhanced-Use Leasing program play an integral role in the management of VA's portfolio.

VA has a vast holding of diverse capital assets consisting of buildings and real estate, VA-leased buildings, enhanced-use leases, and infrastructure. Assets include hospitals, clinics, cemeteries, and office buildings. Many of these facilities currently are used, managed, and maintained in relation to and for promotion of the respective activities of VA's Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and Staff Offices (General Administration). At the close of FY 2005, VA held 1,053 operating leases, and owned 5,306 buildings and 32,527 acres of land. Various construction programs are used to fund infrastructure for the Department. Operating dollars fund lease requirements and maintenance projects. The major construction program provides for constructing, altering, and improving any VA facility with a total project cost over \$7 million and the minor construction program funds construction activities under \$7 million. Two grant programs are also utilized for building or improving state veterans cemeteries and state nursing homes and domiciliary facilities.

The VA FY 2007 budget request includes \$714 million in capital funding. Our request includes \$399 million for major construction projects, \$198 million for minor construction, \$85 million in grants for the construction of state extended care facilities, and \$32 million in grants for the construction of state veterans cemeteries.

The 2007 request for construction funding for our medical facilities is \$457 million—\$307 million for major construction and \$150 million for minor construction. These resources will be devoted to implementing projects identified in the Capital Asset Realignment for Enhanced Services (CARES) program. The projects will renovate and modernize VA's health care infrastructure and provide greater access to high-quality care for veterans. VA also received funds enacted in the Hurricane Katrina emergency supplemental funding in late December 2005: \$293 million to fund a CARES project for a new hospital in Biloxi, Mississippi; and \$75 million for planning and design for the restoration/replacement of the medical center facility in New Orleans, Louisiana. To date, including the FY 2007 budget request, VA will have received in excess of \$3 billion to implement CARES. In addition, VA currently has an emergency supplemental request for \$600 million before the Congress for the construction funding of the restoration/replacement of the medical center facility in New Orleans.

Our FY 2007 major construction request for health care will fund the continued development of two medical facility projects—\$97.5 million to address seismic corrections in Long Beach (California); and \$52.0 million to continue the work necessary to prepare for construction of a new medical center facility in Denver (Colorado). In addition, our request for major construction funding includes \$38.2 million to construct a new nursing home care unit and new



dietetics space, as well as to improve patient and staff safety by correcting seismic, fire, and life safety deficiencies at American Lake (Washington); \$32.5 million for a new spinal cord injury center at Milwaukee (Wisconsin); \$25.8 million to replace the operating room suite at Columbia (Missouri); and \$7.0 million to design improvements through renovation and new construction to reduce underutilized vacant space located at the Jefferson Barracks Division campus at St. Louis (Missouri) as well as provide land for expansion at the Jefferson Barracks National Cemetery.

We also requested \$53.4 million in major construction funding and \$25.0 million in minor construction resources to support our burial program. This includes funds for cemetery expansion and improvement at Great Lakes, Michigan (\$16.9 million), Dallas/Ft. Worth, Texas (\$13.0 million), and Gerald B. H. Solomon, Saratoga, New York (\$7.6 million). Our request will also provide \$2.3 million in design funds to develop construction documents for gravesite expansion projects at Abraham Lincoln National Cemetery (Illinois) and at Quantico National Cemetery (Virginia). In addition, the major construction request includes \$12 million for the development of master plans and the initial design for six new national cemeteries in areas directed by the National Cemetery Expansion Act of 2003—Bakersfield, California; Birmingham, Alabama; Columbia-Greenville, South Carolina; Jacksonville, Florida; Sarasota County, Florida; and southeastern Pennsylvania.

#### CARES

Former Secretary Anthony Principi formed the Capital Asset Realignment for Enhanced Services (CARES) Commission to conduct a “comprehensive, system-wide approach, identifying the demand for VA care and projecting into the future the appropriate function, size, and location for VA facilities.” The CARES Commission submitted findings and recommendations in February of 2004, and on May 7, 2004, the Secretary released his CARES Decision based on the Commission’s findings and recommendations for each CARES site. This CARES decision became VA’s roadmap into the future.

Since that time, much has been done to move these infrastructure improvements forward. Architectural and engineering firms have been retained to prepare designs and 12 construction contracts have been awarded and are underway. An additional 12 construction contracts are planned to be awarded by the end of this Fiscal Year. These projects bring needed improvements for veterans at these locations.

Public Law 108–170 provided the Secretary with interim authority to proceed with CARES approved projects subject to a 45-day notice to the Committees. This legislation was used to provide authorization for the first 30 CARES projects. The legislation will sunset on September 30, 2006. Fourteen projects authorized under this public law

are not likely to award construction contracts by September 30 and four additional projects which will have construction underway will have second phases of construction that will begin later. Therefore, the Department has requested an extension of that authority until September 30, 2009 in the FY 2007 Budget, 5 Year Capital Plan, and the Omnibus 2006–2007 Construction Authorization Bill. Also in need of authorization are three projects: Biloxi, Mississippi; Denver, Colorado; and New Orleans, Louisiana, for which the Department has identified as an immediate need in FY 2006. A request for authorization for medical facility leases for FY 2006 and FY 2007 construction projects and medical facility leases are also included in the budget request, capital plan, and authorization bill, which was transmitted to Congress on April 5, 2006. In total, VA is requesting authorization of \$3.7 billion for major medical facility projects and \$51.6 million for major medical facility leases.

#### 5 YEAR CAPITAL PLAN

The Department's 5 Year Capital Plan is the ultimate product of VA's capital investment process, which reflects trade-offs between funding the operational expenses for existing assets and the acquisition of new assets by the most cost-effective and beneficial means. The VA capital plan includes the highest priority capital investments that were vetted through a comprehensive Department-wide capital investment process to ensure the assets fully support the mission, vision, and goals of the agency. The plan outlines VA's implementation of the CARES decisions. The plan also includes descriptions of other initiatives and capital asset management tools that VA is utilizing to better manage its large capital portfolio.

For FY 2007 the capital plan is published together with the Department's construction budget. Combining the two documents provides a comprehensive view of the VA construction budget for 2007 and plans for the future.

#### ENHANCED-USE LEASING

VA utilizes a capital asset management tool called "enhanced-use leasing" (EU leasing) to better manage its vacant and underutilized real property assets. The authority was initially authorized in 1991, is codified at 38 U.S.C. §§8161–8169, and currently is set to expire on December 31, 2011. It permits VA to lease Department-controlled real property to private or other public entities for a term not-to-exceed 75 years. Each lease must be in exchange for "fair consideration" as determined by the Secretary. Such consideration may consist of monetary, and/or "in-kind" consideration including construction, repair, remodeling, improvements, or maintenance services for Department facilities, or the provision of office, storage, or other usable space.

The EU leasing program has enabled VA to leverage its diverse, underutilized real estate portfolio to generate sig-

nificant revenues. Such revenues are redirected towards the healthcare and capital operations of our medical centers, which serve our nation's veterans daily. It also has resulted in several privately-financed, developed, and operated facilities which provide valuable, mission-compatible services to the Department and eligible veterans, non-veterans, and VA employees. Such facilities and services have included co-generation energy services, office facilities, parking facilities, hospice care, mental health, single-room occupancy (homeless shelters), affordable housing, transitional housing, low-cost senior housing, and child daycare services. Notably, VA's varied EU leases also have resulted in a substantial short- and long-term stimulus for the impacted local, state, and federal governments and economies, due to tax revenues, sales, and job creation.

In FY 2005, through its EU lease program, VA received over \$900,000 worth of in-kind consideration, and \$28,000,000 via a single payment of monetary consideration. The EU Leasing program is a proven method of leveraging VA's diverse real estate portfolio and market position.

#### VA'S PORTFOLIO MANAGEMENT APPROACH

VA utilizes a three-tiered portfolio management approach. This approach is the blueprint for VA portfolio management nationwide.

First, VA manages what we have more effectively through Federal Real Property Council (FRPC) performance standards as well as using unique technology-assisted inventory management system. VA is committed to four metrics that set the goals for performance. They include: (1) the percent of *space utilization* as compared to overall space (owned and direct leased); (2) the percent *condition index* (owned buildings); (3) the ratio of *non-mission-dependent assets to total assets*; and (4) the ratio of *operating costs per gross square foot* (GSF) adjusting for inflation. These goals are based on the FRPC standards for performance measurement in capital portfolio management.

VA is striving to utilize information technology and established capital asset management principles to improve the management of its capital resources. VA created the Capital Asset Management System (CAMS), an integrated, Department-wide system, enabling VA to analyze, monitor, and manage VA's portfolio of capital assets. Data are organized and presented to strategically monitor performance against capital asset goals within and across asset types and VA Administrations (VHA, VBA, and NCA).

Secondly, VA selects prudent capital investments through appropriated dollars. VA uses appropriated dollars to manage CARES capital investment projects that have proven to be sound investments. Each project's performance is measured to ensure the best use of our overall portfolio needs. This innovative approach has allowed VA to manage underutilized assets in a more efficient and cost-effective manner.

VA's third approach is the use of its enhanced-use leasing authority, which has been previously mentioned. Over the past 14 years VA has awarded 47 projects through the enhanced-use leasing authority. An additional 100 initiatives are being studied, of which 45 projects are currently active.

## CLOSING

In summary, Mr. Chairman, the \$714 million that VA is requesting in FY 2007, in addition to the \$293 million provided in the Hurricane Katrina emergency supplemental, will provide the resources necessary for the Department to:

- Continue implementation of the infrastructure improvements identified in CARES to insure that facilities are available to support the provision of timely, high-quality health care to nearly 5.3 million patients. It is important to note that 79 percent are among those who need VA the most—those with service-connected disabilities, lower incomes, or special health care needs;
- Increase access to our burial program by ensuring that nearly 84 percent of veterans will be served by a burial option in a national or state veterans cemetery within 75 miles of their residence; and
- Provide safe and secure facilities for the Department built to current specifications to withstand natural and manmade disasters.

I look forward to working with the members of this committee to continue the Department's tradition of providing timely, high-quality benefits and services to those who have helped defend and preserve freedom round the world. I would be pleased to answer any questions the committee may have.

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, August 30, 2006.*

Hon. STEVE BUYER,  
*Chairman, Committee on Veterans' Affairs,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 5815, the Department of Veterans Affairs Medical Facility Authorization Act of 2006.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Michelle S. Patterson.

Sincerely,

ROBERT P. MURPHY  
(For Donald B. Marron, Acting Director).

Enclosure.

*H.R. 5815—Department of Veterans Affairs Medical Facility Authorization Act of 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 <sup>1</sup>						
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

<sup>1</sup> 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 county. 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.

Estimate prepared by: Federal costs: Michelle S. Patterson; Impact on State, local and tribal governments: Melissa Merrell; Impact on the private sector: Allison Percy.

Estimate approved by: Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

#### STATEMENT OF FEDERAL MANDATES

The preceding Congressional Budget Office cost estimate states that the bill contains no intergovernmental or private sector mandates as defined in the Unfunded Mandates Reform Act.

#### STATEMENT OF CONSTITUTIONAL AUTHORITY

Pursuant to Article I, section 8 of the United States Constitution, the reported bill is authorized by Congress' power to "provide for the common Defense and general Welfare of the United States."

#### ADDENDUM

##### MAJOR MEDICAL FACILITY PROJECTS REQUESTED BY MEMBERS

H.R. 5815	Description of Provision	Amount	Requestors
§ 4	Advance planning and design for a co-located, joint-use major medical facility project in Charleston, South Carolina, with the Medical University of South Carolina.	\$70,000,000	Hon. Steve Buyer and Hon. Henry E. Brown, Jr.

#### CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italic and existing law in which no change is proposed is shown in roman):

#### TITLE 38, UNITED STATES CODE

\* \* \* \* \*

#### PART I—GENERAL PROVISIONS

\* \* \* \* \*

#### CHAPTER 3—DEPARTMENT OF VETERANS AFFAIRS

Sec.

301. Department.

\* \* \* \* \*

312A. *Director, Construction and Facilities Management.*

\* \* \* \* \*



**§312A. Director, Construction and Facilities Management**

(a) *CAREER POSITION.*—There is in the Department the position of Director, Construction and Facilities Management. The position of Director, Construction and Facilities Management, is a career position with responsibility for construction and facilities management across the Department, including responsibility for all major and minor construction projects. The individual appointed as Director shall be appointed by the Secretary and shall provide direct support to the Secretary and report to the Deputy Secretary of the Department.

(b) *QUALIFICATIONS.*—The individual appointed to the position of Director, Construction and Facilities Management, shall be an individual who—

(1) holds an undergraduate or master's degree in architectural design or engineering; and

(2) has substantive professional experience in the area of construction project management.

(c) *RESPONSIBILITIES.*—The individual appointed to the position of Director, Construction and Facilities Management, shall be responsible for overseeing and managing the planning, design, construction, and facilities operation, including infrastructure, of the Department's major and minor construction projects and performing such other functions as the Secretary prescribes. Such oversight and management responsibilities shall include each of the following:

(1) Developing and updating short and long-range strategic capital investment strategies and plans.

(2) Planning, designing, and building facilities, determining architectural and engineering requirements as well as ensuring compliance with all applicable laws relating to the Department's construction program.

(3) Overseeing and managing the construction of Department facilities.

(4) Managing the Department's short and long-term leasing activity.

(5) Repairing and maintaining the Department's facilities, including custodial services, building management and administration, and maintenance of roads, grounds, and infrastructure.

(6) Managing the procurement and acquisition processes, including contract award related to design, construction, furnishing, and supplies and equipment.

\* \* \* \* \*