



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 15, 1999

### **H.R. 2300**

#### **Academic Achievement for All Act (Straight A's Act)**

*As ordered reported by the House Committee on Education and the Workforce  
on October 13, 1999*

#### **SUMMARY**

H.R. 2300, the Academic Achievement for All Act (also referred to as the Straight A's Act), would allow the Department of Education to delegate to states a portion of its waiver-granting authority. The bill would give any State or Local Educational Agency (SEA or LEA) the option to combine funds under certain federal elementary and secondary education programs for the purpose of improving student achievement. The Secretary of Education would waive the primary requirements governing funds under those programs and participating SEAs and LEAs would be held accountable for demonstrating improvements in student performance outcomes.

CBO expects that enacting H.R. 2300 would affect the rate of spending from funds that were appropriated for fiscal year 1999. Such effects would constitute changes in direct spending; therefore, pay-as-you-go procedures would apply to the bill. We estimate that direct spending would increase by \$18 million in 2000 and \$5 million in 2001, and decrease by \$16 million in 2002 and \$7 million in 2003. Implementing the bill also would affect discretionary spending by providing the same flexibility to states for use of funds yet to be appropriated for fiscal year 2000. Subject to appropriation of the amounts already authorized for 2000, CBO estimates that discretionary outlays would be \$125 million higher in 2001, and \$125 million lower over the 2002-2004 period, relative to our estimates of such spending under current law.

H.R. 2300 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). Any costs to state and local governments resulting from enactment of this bill would be incurred voluntarily. Tribal governments would not be affected by the provisions of this bill.

## ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 2300 is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, and employment and social services).

	By Fiscal Year, in Millions of Dollars				
	2000	2001	2002	2003	2004
<b>CHANGES IN DIRECT SPENDING</b>					
Budget Authority	0	0	0	0	0
Estimated Outlays	18	5	-16	-7	0
<b>SPENDING SUBJECT TO APPROPRIATION</b>					
Spending Under Current Law					
Estimated Authorization Level <sup>a</sup>	12,006	0	0	0	0
Estimated Outlays	11,070	11,168	3,800	762	56
Proposed Changes					
Authorization Level	0	0	0	0	0
Estimated Outlays	0	125	-31	-63	-31
Spending Under H.R. 2300					
Estimated Authorization Level	12,006	0	0	0	0
Estimated Outlays	11,070	11,293	3,769	699	24

NOTE: Components may not add to totals because of rounding.

a. A full-year appropriation has not yet been provided for 2000.

## BASIS OF ESTIMATE

### Direct Spending

Historically, federal education programs have been designed to direct federal dollars for a specific educational purpose. Program requirements restrict the uses and activities of the funds provided. However, the Education Flexibility Partnership Act of 1999 (Public Law 106-25), which was enacted on April 29, 1999, allowed qualifying states to waive the requirements of certain education programs and provided some school districts with the opportunity to use Class Size Reduction funds for professional development programs.

CBO assumed that about 9 percent of schools would use the new authority under Public Law 106-25 to reallocate their 1999 Class Size Reduction funds for other purposes.

The Straight A's Act, on the other hand, would provide greater authority for SEAs and LEAs to waive most of the current program restrictions in exchange for increased accountability. States would be able to consolidate funds from their choice of certain existing programs, including the newly funded Class Size Reduction program. The 1999 appropriations for the programs covered under H.R. 2300 totaled \$11.9 billion, including \$1.2 billion for classroom size reduction. States would be required to submit a plan detailing how they will use the consolidated funds to improve student achievement and what assessment measures they will use. Once approved, the states could use all of the included funds without regard for the purpose or restrictions of the original programs. To remain eligible, states would have to demonstrate improvement in academic achievement.

How states would use the flexibility offered under H.R. 2300 is uncertain. Some members of the education community have argued that the accountability requirements of the bill would discourage participation, whereas others believe that most states would prefer the flexibility the bill offers. CBO assumes that any budgetary effects of the bill would occur because states chose to reallocate funds provided for classroom size reduction, a program that is projected to spend more slowly than other elementary and secondary education programs.

CBO estimates that H.R. 2300, in combination with the estimated effect of Public Law 106-25, would affect 20 percent of the 1999 funds for classroom size reduction. We expect that those funds would be spent at an accelerated rate. This change would increase outlays in 2000 and 2001 by \$18 million and \$5 million, respectively, and lower outlays by \$16 million in 2002 and \$7 million in 2003.

### **Spending Subject to Appropriation**

The Straight A's Act also affects funding for fiscal year 2000, the last year of authorization for most of the elementary and secondary programs. For 2000, full-year appropriations have not been provided yet. However, there are expected to be similar changes in the rates of spending, as discussed above. By 2001, CBO assumes that one-half of the states which do not take advantage of H.R. 2300 in 2000 will do so in 2001 and beyond. Consequently, by 2001, 60 percent of all the states would be using the flexibility provided under the bill. In fiscal year 2001, outlays from estimated 2000 authorization levels are expected to be \$125 million higher if H.R. 2300 is enacted. We estimate that outlays in 2002, 2003, and

2004 would be lower by \$31 million, \$63 million, and \$31 million, respectively, resulting in no net effect over the 2001-2004 period.

## **PAY-AS-YOU-GO CONSIDERATIONS**

The Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects in the budget year and the succeeding four years are counted.

	By Fiscal Year, in Millions of Dollars									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Changes in outlays	18	5	-16	-7	0	0	0	0	0	0
Changes in receipts	Not applicable									

## **ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS**

H.R. 2300 contains no intergovernmental mandates as defined in UMRA. Any costs incurred by state or local governments as a result of participation in the program created by this bill would be voluntary. Tribal governments would not be affected by the provisions of this bill.

Under H.R. 2300, states (and local educational agencies in non-participating states) would voluntarily enter into performance agreements with the Department of Education to make measurable improvements in the academic achievement of all students. In return, states or local educational agencies would be authorized to combine funding from fourteen federal education programs to be used for any educational purpose permitted by state law in the participating state. While states and local educational agencies may incur costs to develop performance measures and systems to monitor and report progress, such costs would be incurred voluntarily.

## **ESTIMATED IMPACT ON THE PRIVATE SECTOR**

The bill contains no private-sector mandates as defined in UMRA.

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